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Psychological Contract Breach: Underlying Mechanisms and Defining Boundary  
Conditions

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## **ABSTRACT**

Research on psychological contract breach indicates a clear link with detrimental individual and organizational effects. However, the role of context and individual differences in shaping employees' reaction to breach is underdeveloped. In this sense, the main goal of this research is to understand the mechanisms through which breach impacts outcomes, and the boundary conditions of breach effects. In four studies, using different samples and designs, we highlight the importance of understanding psychological contract breach taking into account different theoretical perspectives and individual differences.

Overall, our research findings have both theoretical and practical implications. From a theoretical point of view, this research contributes to an understanding of the boundary conditions (both contextual and individual) surrounding the process of breach. From a practitioner perspective, this research sheds light to different variables that managers should be aware in order to minimize the negative impact of breach. Moreover, it suggests that managers need to take into account both individual and cultural differences when attempting to deal with breach.

## GENERAL INTRODUCTION

The employee-organization relationship (EOR) has changed significantly through the past decades due to market competition, financial crises, and/or technology evolutions. In order to stay competitive in an extremely uncertain and turbulent environment, organizations must negotiate, renegotiate and, sometimes, retract the employment relationship (Kickul, 2001). Some changes involve a decline in employees' tenure, an increase in restructuring through downsizing, an intensification of the discrepancy between the pay of the top and bottom levels of the organizations, a growing use of contingent workers, an increase in outsourcing, and a diminished employer role in employees' benefits, among others (Bidwell, Briscoe, Fernandez-Mateo, & Sterling, 2013). Essentially, there was a shift from a paternalistic relationship to a more independent relationship. The former is characterized as "jobs for life" in which the organization provided security and provision for retirement and the latter is defined by a more active role of employees to decide their own career and retirement plans (Cavanaugh & Noe, 1999). This changing nature of EOR has resulted in a renewal of interest in psychological contracts (e.g., Conway & Coyle-Shapiro, 2012; De Lange, Bal, Van der Heijden, Jong, & Schaufeli, 2011).

Psychological contracts are mental models based on beliefs about reciprocal contributions between employees and their organizations (Robinson & Morrison, 1995; Rousseau, 1990). Specifically, psychological contract "refers to an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (Rousseau, 1989; p. 123). These contracts are based on social exchange theory (Blau, 1964) and norm of reciprocity (Gouldner, 1960) to account for its development, continuance, and outcomes.

Underlying the psychological contract is an inherent obligation to value and equitably reciprocate the contributions of the other party (Blau, 1964; Gouldner, 1960).

Over last decades, researchers have examined this concept as a framework for understanding the employment relationship as well as employees' attitudes and behaviors (e.g., Conway & Coyle-Shapiro, 2012; Deery et al., 2006; Morrison, 1996; Raja, Johns, & Ntalianis, 2004). Much of the research about psychological contract is focused on how employees react to psychological contract breach, which is defined as the belief that one's organization has failed to fulfil its part of the mutual agreement by not meeting one's expectations and made promises (Morrison & Robinson, 1997). Curiously, psychological contract breaches are known for being the norm and not the exception (Robinson & Rousseau, 1994). These breaches have negative consequences for employees with impact on organizations, such as decreased trust (Morrison, 1996; Raja et al., 2004; Deery et al., 2006), perceived organizational support (Coyle-Shapiro & Conway, 2005), affective commitment (Restubog et al., 2006), job satisfaction (Starnes, 2004), perceptions of justice (Kickul, 2001), in-role and extra-role performance (Restubog et al., 2005; Robinson & Morrison, 1995), and increased cynicism (Johnson & O'Leary, 2003), turnover intentions (Laewood et al., 1998), absenteeism (Deery et al., 2006), and deviant behaviors (Chiu & Peng, 2008).

The present thesis is organized into three parts: the first one provides a comprehensive literature review on psychological contract breach and it ends with the discussion of questions that remain unanswered; the second part comprises four studies attempting to answer the questions; and the third part reviews and discusses the findings and its implications for theory, research and practice, followed by suggestions of potential avenues for future research.



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# PART I

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## CHAPTER I: LITERATURE REVIEW

The development of the psychological contract construct started with Argyris (1960) who defined the term *psychological work contract* as the mutual respect between the foreman and his workers. Shortly thereafter, Levinson, Price, Munden, Mandl, and Solley (1962) termed *psychological contract* to the observed relationship between employees and employers. They stated that workers perceived implied and unspoken expectations from their employer. Although these definitions may seem similar, there is an important difference that needs to be addressed (Roehling, 1997). For Argyris (1960), the psychological contract was a group-level construct, in which employees' informal culture played a major role in explaining the behaviors of both employees and foreman; whereas for Levinson et al. (1962), each individual had an implicit set of beliefs composing the contract. This contract was assumed to change over time according to the needs of both employees and employers (Levinson et al., 1962).

During the following two decades, several researchers discussed the term *psychological contract* to characterize the nature of the employment relationship (see Table 1). For instance, in his book, *Organizational Psychology*, Schein (1965) highlighted how a psychological contract is important to understand and manage behavior in organizations. Schein (1965) also stressed the interactive and mutual influence proprieties of the employment relationship. At the same time, Gibson (1966) discussed the distinction between *work contract* and the *psychological contract*. The former indicated the rights and duties with both formal and “quasi-contractual” aspects. The latter indicated the individuals' perceptions of the quasi-contractual features of the work contract.

Kotter (1973) added a new property to the definition of psychological contract. He stated that the expectations of employee and employer may not match. Therefore, psychological contract “is comprised of “matched” or “mismatched” expectations” (Roehling, 1997, p.204). In a sample of MBA graduates, Kotter (1973) found that employee-employer expectations’ matches were associated with increased levels of productivity and satisfaction as well as decreased turnover.

**Table 1 - Psychological Contract Definitions**

<b>Author(s)</b>	<b>Definition</b>
<b>Argyris (1960)</b>	A relationship may be hypothesized to evolve between the employees and the foremen which might be called the ‘psychological work contract’. The employee will maintain high production, low grievances etc. if the foreman guarantees and respects the norms of the employee informal culture (i.e., let the employees alone, make certain they make adequate wages and have secure jobs). (p. 97)
<b>Levinson et al. (1962)</b>	“A series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other” (p.21).
<b>Schein (1965)</b>	The unwritten expectations operating at all times between every member of an organization and the various managers in that organization... Each employee has expectations about such thing as salary or pay rate, working works, benefits and privileges that go with a job... the organization also has more implicit, subtle expectations that the employee will enhance the image of the organization, be loyal, will keep organizational secrets and will do his or her best. (p. 11)
<b>Gibson (1966)</b>	A less formal term alluding to the individual’s perception of the quasi-contractual aspect of the work contract
<b>Kotter (1973)</b>	An implicit contract between an individual and his organization which specifies what each expects to give and receive from each other in their relationship (p.92)
<b>Rousseau (1989)</b>	‘An individual’s belief in the terms and conditions of a reciprocal exchange agreement between the focal person and another party (...) emerges when one party believes that a promise has been created to provide future benefits’ (p.123)
<b>Guest and Conway (1998)</b>	The psychological contract is a way of interpreting the state of the employment relationship and plot significant changes (p.9)

Definitions by Levinson et al. (1962), Schein (1965), and Kotter (1973) implied that psychological contracts are based on mutual expectations, that is, included both parts of the relationship (i.e., employee and organization). A shifting point occurred with the seminal work of Denise Rousseau in 1989, in which psychological contracts is defined as “an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party (...) key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations, (...) emerges when one party believes that a promise has been created to provide future benefits” (p.123). Essentially, Rousseau (1989) clearly states that psychological contract is individual and subjective. It is important to highlight that the definition by Rousseau (1989) is at the individual level (i.e., no need for agreement between individual and organization) and the previous definitions (e.g. Levinson et al., 1962) are at the relational level (Roheling, 1997). As such, Rousseau’s definition created a shift from relational to individual perspective, which have implications for the measurement of the construct as well as for the manners to deal with it.

A key feature of this definition of psychological contracts is the perceived promise. This promise is any communication of future intent (Rousseau, 1989) and can be transmitted through different ways, such as oral discussion, practices, and policies (Morrison & Robinson, 1997; Rousseau & Greller, 1994; Rousseau & McLean, 1993). Different sources of promises also mean that perceived obligations can result from more explicit or implicit communications. It is also important to notice that the belief that a promise was made by the organization and a contribution provided by the employee join the parties in a reciprocal relationship (Rousseau, 1989). Therefore, psychological contracts are held by employees (i.e., unilateral) and

represent their beliefs about promises made by the organizations (Morrison & Robinson, 1997; Rousseau, 1989). In this sense, the organization adopts an anthropomorphic identity. This is not to say that organizational agents (managers or supervisors) do not understand the psychological contract between the employee and the organization, however, they are not a part of the contract (Morrison & Robinson, 1997).

From the multiple definitions of psychological contract, one can consider that the construct involves promises, obligations and expectations. Indeed, Guest (1998) suggested that psychological contract should include all those features. However, other researchers did not accept this idea very well, and a “conceptual boundary” was created in order to prevent the oversimplification of the concept (Dadi, 2012, p.92). Therefore, it is possible to differentiate types of *beliefs*; and these can be promises, obligations and/or expectations (Conway & Briner, 2005). The following table (Table 2) describes and exemplifies the beliefs.

**Table 2** – *Definitions of psychological contract beliefs (adapted from Conway & Briner, 2005)*

<b>Belief</b>	<b>Definition</b>	<b>Part of psychological contract</b>
<b>Promise</b>	“a commitment to do (or not do) something” (Rousseau & Parks, 1993) “ any communication of future intent” (Rousseau, 1989)	YES
<b>Obligation</b>	“the feeling of inner compulsion towards another person, group, or family. For example, when someone receives certain benefits, he/she may feel obligated to offer his/her services in return. Show some sense of duty, responsibility, and commitment towards others.” (Dadi, 2012).	Only when accompanied by a belief that a promise has been made
<b>Expectation</b>	“expectations take many forms from beliefs in the probability of future events to normative beliefs” (Rousseau & Parks, 1993)	Only when accompanied by a belief that a promise has been made

Summarizing the key aspects of the concept defined by Rousseau (1989, 1990), the psychological contract is based on beliefs and/or perceptions (i.e., individual and unilateral); it is implicit rather than explicit (i.e., interpretation of the promises and obligations); it is based on perceived agreement rather than an actual agreement between employee and employer (i.e., “agreement exists in the eye of beholder” (Rousseau, 1995, p.6); it is based on an exchange between employee and organization; it is based on reciprocity; it is not stagnant, therefore it can change and evolve through time (Conway & Briner, 2005).

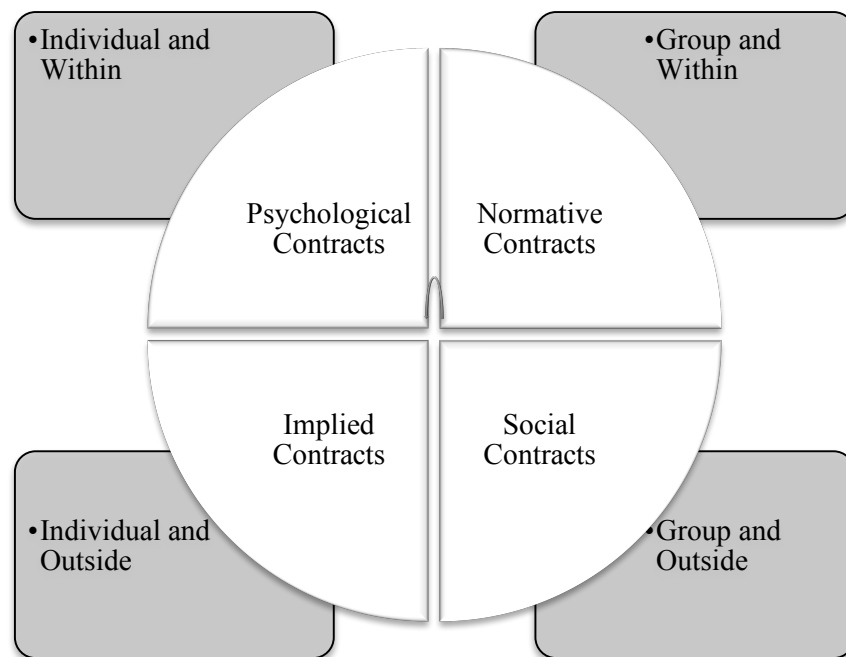
### **Types of Contract I: Psychological, Implied, Normative, Social**

A work contract serves to bind together an individual and an organization, regulating their behavior and making possible the attainment of organizational goals (Robinson et al., 1994). The written contract is recognized by law (Farnsworth, 1982). Spindler (1994) states that “in law, contracts create and define enforceable rights and obligations between parties who knowingly create the relationship” (p. 326). Moreover, these contracts must give a clear orientation for the behavior of both parties (Spindler, 1994). A legal contract entails rigid rules, formal promises, agreed obligations, acceptance of an exchange; and its terms are static since its formation (Eisenberg, 2001). Both legal and psychological contracts are key aspects of the employment relationship.

Besides the distinction between legal and psychological contracts, one can also differentiate other types of contracts. In her book, *Psychological Contracts in Organizations*, Rousseau (1995) identified four types of contract based on individual and group dimensions. Two are focused on the individual level (i.e., psychological

and implied contracts) and two are focused on the group level (i.e., normative and social). The following figure shows four types of contracts:

**Figure 1 – Types of Contract**



On the one hand, there is individual contracts: psychological and implied. The formers were previously defined. The latter contracts are the attributions that other individuals (outsiders) make about its terms, acceptance and mutuality (Rousseau, 1995). On the other hand, group level contracts are shared by members. Social contracts refer to cultural collective beliefs about appropriate conduct in society (Rousseau, 1995, p.13). According to Shore et al. (2004), these contracts are part of a normative framework to solve ethical dilemmas. Within this framework, one can find the best organizational practices and procedures, including the national labor rules and legislation and the International Labor Organization's meetings and



recommendations (Grogan, 2009). Normative contract is “the shared psychological contract that emerges when members of a social group, organization, or work unit hold common beliefs” (Rousseau, 1995, p.13). Lastly, implied contracts are the attributions that other individuals (outsiders) make about its terms, acceptance and mutuality (Rousseau, 1995).

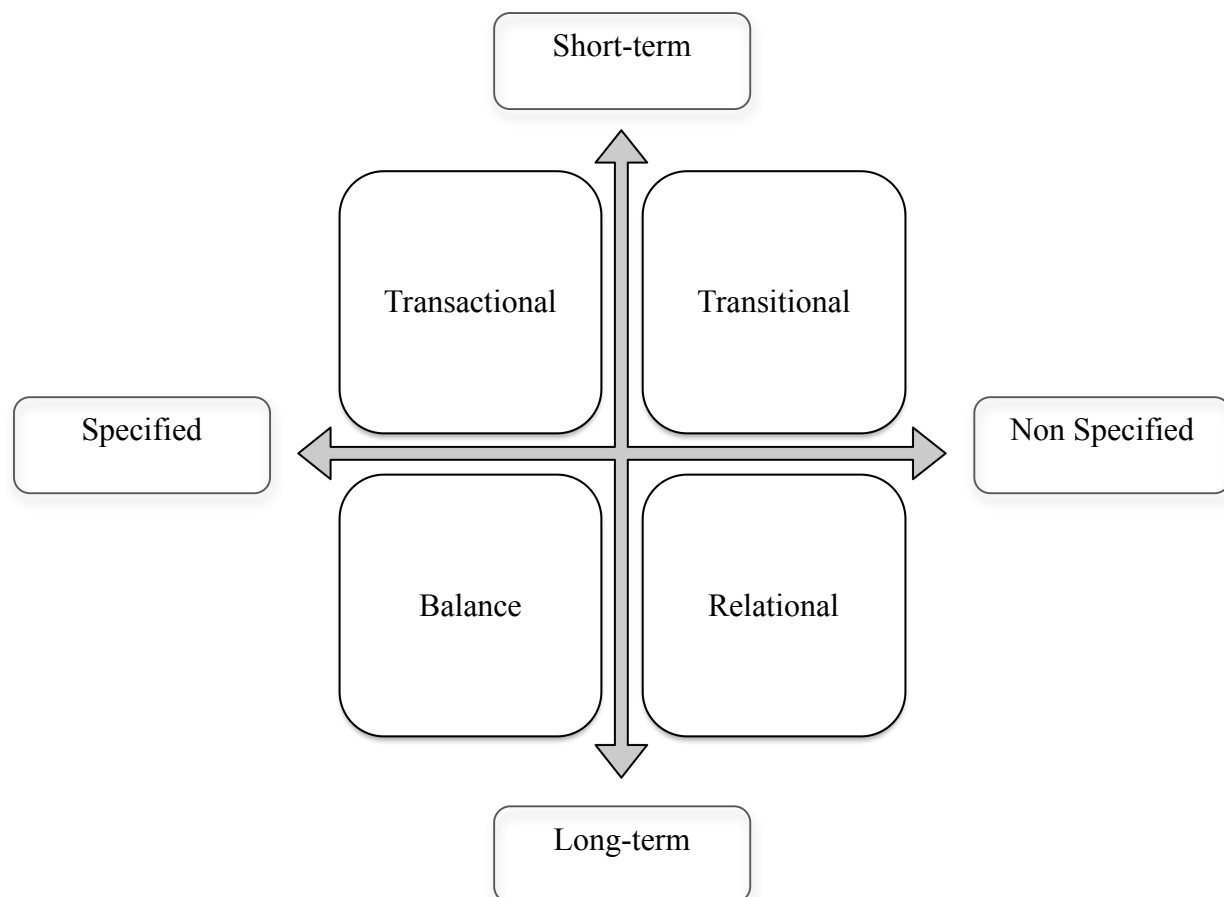
### **Types of Contract II: Relational, Transactional, Transitional, Balanced, Value-oriented**

Macneil (1985) described the contracts within a relational-transactional continuum, in which the former related to an open-ended arrangement that involves both economic and socioemotional terms; the latter indicates a short-term arrangement based on economic terms. A more complete typology was developed by Rousseau (1989, 1990). In the *Psychological Contract Inventory: Technical Report*, Rousseau (2000) explained the two dimensions, time frame (short-term and open-ended) and performance terms (specified vs non specified), which represents the variation in psychological contracts across individuals and organizations (see Figure 2; Rousseau & Wade-Benzoni, 1994; Rousseau, 1995).

Regarding the short-term time frame, there are two types of contract. First, a transactional contract is defined as a limited time contract based on economic exchange. It is specific and there is a low level of involvement between the worker and the organization (Rousseau, 2000). Employees are obligated to perform only a limited set of duties and they usually do exactly what they are paid for (Rousseau, 2000). Employees with this type of contract may seek another job opportunity when the specific terms are perceived as not satisfactorily fulfilled. When turnover does not

occur, employees exhibit only behaviors that are paid (Rousseau, 2004), lowering the overall performance (i.e., extra-role performance). Second, the transitional contract is “not a psychological contract form itself, but a cognitive state reflecting the consequences of organizational change and transitions that are at odds with a previously established employment agreement” (Rousseau, 2000, p.4). This “non-type” of psychological contract exists when reciprocal commitment between the parties erode (Hui, Lee, & Rousseau, 2004).

**Figure 2** – Psychological Contract Typology (Adapted from Rousseau, 2000)



Concerning the long-term contracts, there are the relational contract and the balanced contract. The former is an open-ended contract based on reciprocal trust, loyalty and stability; and rewards “are only loosely conditioned on performance,

derive from membership and participation in the organization” (Rousseau, 2000, p.4). Both parties believe in a future commitment in which interdependence and mutuality are key features of this relationship (Rousseau, 2004). Moreover, the relational psychological contract is dynamic and socioemotional in nature (Rousseau & McLean Parks, 1993).

The balanced type of contract is a combination of the relational approach with aspects of the transactional contract. According to Rousseau (2004), these contracts combine long-term duration and mutual concerns of relational contracts with the performance demands and renegotiation efforts of transactional ones. Employers and employees are willing to adjust the terms of contracts if needed.

Another type of contract (not included in the previous typology) was introduced by Thompson and Bunderson (2003): value-based psychological contract. It is defined as “credible commitments to pursue a valued cause or principle (not limited to self-interest) that is implicitly exchanged at the nexus of the individual-organization relationship” (p.574). Value-based psychological contracts focus on the exchange of ideological currency. According to Thompson and Burderson (2003), this is not a “new type” of psychological contract. Rather, they suggested that ideological obligations are one important dimension of a multidimensional contract (that includes both relational and transactional aspects).

Most of the research is focused on the relational and transactional types of contract. Initially, scholars considered relational and transactional psychological contracts as a bipolar continuum (Rousseau, 1989, 1990). However, researchers have tried to find support for this claim, but they have been unsuccessful (Millward & Brewerton, 2000). Hence, they indicated them as independent dimensions, but not mutually exclusive (McLean Parks, Kidder, & Gallagher, 1998; Millward &

Brewerton, 2000). More recently, Isakson and colleagues (2010) referred to the psychological contract as a layered model, in which one can find both transactional and relational exchanges. With a sample of 5334 employees, Isaksson et al. (2010) found that the idea of a layered model of psychological contract mainly fits the results on the *content* of the psychological contract, for both perceived entitlements and obligations (p.711). Transactional content refers to merit pay, high pay and advancement, whereas relational content refers to security, training, development, and support (Robinson, Kraatz, & Rousseau, 1994). It is worthy to mention that some authors considered some items to be ambiguous (e.g., training; Coyle-Shapiro, 2000; Zhao et al., 2007).

Few studies have been conducted on transactional and relational psychological contracts and its impact on work attitudes. For instance, researchers have found a positive relationship between transactional contracts and continuance commitment (Hughes & Palmer, 2007; McInnis, 2012; Shore, Tetrick, Lynch, & Barksdale, 2006) and a positive relationship between relational contracts and affective commitment (Hughes & Palmer, 2007; McInnis, 2009, 2012). Recently, Anderson (2014) found a positive relationship between relational contract and organizational citizenship behaviors and a negative relationship with turnover intentions. The results for transactional contracts were non-significant.

## Psychological Contract Breach

In the article *Violating the psychological contract: not the exception but the norm*, Robinson and Rousseau (1994) have asked two key questions which were the first effort to explain employees' reactions to the breaches of the psychological contract: "If psychological contracts are widespread in employment, how often are these contracts violated? What happens when they are?" (p.247). Using a sample of 128 graduate management alumni who were surveyed twice, the answer was straightforward: "Psychological contracts are frequently violated" (p.255) and those violations are positively related to turnover and negatively to trust, satisfaction, and intentions to remain. This study served as a starting point for the extensive empirical evidence of the negative consequences of psychological contract breach.

Psychological contract breach (from now on: "breach") refers to the employee's perception concerning the degree to which the organization has failed to fulfill its promises or obligations (Robinson & Rousseau, 1994) and is "a subjective experience based not only (or necessarily) on the employer's actions or inactions but on an individual's perception of those actions or inactions within a particular social context" (p.576).

In the psychological contract literature and research, the terms "breach" and "violation" are often used interchangeably. Nonetheless, Morrison and Robinson (1997) distinguished the two constructs. Accordingly, psychological contract breach is the cognitive evaluation of the (un) fulfillment of organization's obligations, in which one compares what each party has promised, provided and received from the other; whereas violation is the emotional reaction. Specifically, violation has been defined as involving "feelings of betrayal and deeper psychological distress

[whereby]... the victim experiences anger, resentment, a sense of injustice and wrongful harm” (Rousseau, 1989, p.129). As such, violation entails a strong emotional and affective response to the perceived breach of the contract (Morrison & Robinson, 1997). The authors also identify violation as multifaceted construct that reflects a “combination of first-order feelings” such as a feeling of disappointment, frustration, indignation, resentment, bitterness, and outrage (p.231). Morrison and Robinson (1997) also stated that violation is a mental state of “readiness for action” which can be complemented with permanent thoughts about the issue, expressions of anger and distress, and disorder of the autonomic nervous system.

In their theoretical model, Morrison and Robinson (1997) explain that the relationship between breach and violation depends on the meaning that an employee gives to the breach. Therefore, factors as outcome assessment, attributions, fairness judgement and social contract contribute to the interpretation process. As such, the development of violation is extremely subjective, imperfect and an outcome of a sense making process. Empirically, violation has been examined as a consequence of breach. For instance, Suazo (2009) found that violation fully mediated the relationship between breach and work-related attitudes and behaviors in a sample of service-oriented employees working in USA. In addition, Robinson and Morrison (2000) found that perceived breach was the only predictor of violation in a sample of employees who had recently earned their MBAs and begun new full-time jobs.

Another worthy note regards the relationship between “breach” and “fulfillment” concepts. The majority of studies has considered psychological contract fulfillment (the organization’s fulfillment of obligations in the psychological contract; Karagonlar et al., 2015) as *low* psychological contract breach, thus establishing a breach-fulfillment continuum (Conway & Coyle-Shapiro, 2012; Conway, Guest, &

Trenberth, 2011; Zhao et al., 2007). Therefore, psychological contract breach and fulfillment can be used interchangeably, “except for the sign of the effect” (Zhao et al., 2007, p.658). This is explained by two arguments: first, breach brings negative consequences; and second, fulfillment has positive outcomes (Lambert, Edwards, & Cable, 2003). As clarified by the authors, “these arguments are complementary in that decreased deficiency is conceived as increased fulfillment, and vice versa” (Lambert et al., 2003; p. 899).

### **Measures of Breach and Violation**

As aforementioned, Robinson and Morrison (1997) theoretically distinguish psychological contract breach and violation constructs. They also tested and validated the discriminant validity of the scales (Robinson & Morrison, 2000). Although both measures were significantly correlated ( $r=.86$ ,  $p<.01$ ), the factorial analysis provided a clear evidence of the distinctiveness of the constructs (p.538). Besides, all items of breach were loaded onto one factor with high loadings (from .70 to .87), whereas all items of violated were loaded onto the second factor with high loading (from .79 to .89). See Table 3.

### **Measures of Psychological Contract Breach (and Fulfillment)**

The bulk of research on psychological contract has been operationalized breach in different ways. Three different approaches may be found in the literature (see table 3). First, a composite measure which assesses the discrepancy between promised and delivered inducements. Items refer to different content (e.g., training,

security, support, promotions, development) and participants answer how much the organization has fulfilled its obligations, expectations or promises on each item. Second, a weighted measure which is similar to the composite measure, but involves the evaluation of the importance of each item. In this case, the breach score is multiplied by the perceived importance score and averaged to get the final breach score (Zhao et al., 2007). Third, a direct or global measure which examines the overall perceptions of how much the organization has failed to fulfill its obligations or promises (see Table 3 for example).

**Table 3** – Breach and Violation Scales (from Robinson & Morrison, 2000)

Scale	Items	Reliability
<b>Breach</b>	1 - Almost all the promises made by my employer during recruitment have been kept so far (Reversed score) 2 - I feel that my employer has come through in fulfilling the promises made to me when I was hired (Reversed score) 3 - So far my employer has done an excellent job of fulfilling its promises to me (Reversed score) 4 - I have not received everything promised to me in exchange for my contributions 5 - My employer has broken many of its promises to me even though I have upheld my side of the deal	$\alpha=0.92$
<b>Violation</b>	1 - I feel extremely frustrated by how I have been treated by my organization 2 - I feel that my organization has violated the contract between us 3 - I feel betrayed by my organization 4 - I feel a great deal of anger toward my organization	$\alpha=0.92$



*Table 4 – Psychological contract breach measures differences*

Measure	Description	Measurement Process	Author	Reliability
<b>Composite</b>	discrepancy between promised and delivered inducements	1 – rate whether their organizations had fulfilled the promises comprising the PC (i.e., promotion and advancement, high pay, pay based on current level of performance, training, long-term job insecurity, and career development) (not at all fulfilled to very well fulfilled)	Robinson & Morrison (1995)	-----
<b>Weighted</b>	similar to the composite measure, but involves the evaluation of importance of each item	1 – rate the importance of specific elements of PC (i.e., salary, job security, advancement opportunities) 2 – amount that the organization had committed to provide them (from much less to much more than promised) → Score is calculated by multiplying the magnitude on each job factor by the importance of that same job factor and summing across all elements.	Turnley & Feldman (1999)	-----
<b>Global</b>	overall perceptions of how much the organization has failed to fulfill its obligations or promises	1 – assess the overall evaluation of how well one's contract has been fulfilled by one's employer with 5 items (from strongly disagree to strongly agree). → Score is the mean or sum of the items	Robinson & Morrison (2000)	$\alpha = 0.92$

The use of composite and weighted measures has been criticized in different literatures as the assessment of discrepancy may lead to problems in the interpretations of results (e.g., Edwards & Cooper, 1990; Edwards, 2001; McLean Parks, Kidder, & Gallagher, 1998; Montes & Zweig, 2009). Moreover, composite measures are characterized as having more ambiguity and poor reliability (Irving & Meyer, 1999). Zhao et al. (2007) address another important point: using composite measures may not fully evaluate what is important for a specific employee. Supporting this idea, meta-analytic results showed that studies using global measures had larger effect sizes than studies using content specific items (Zhao et al., 2007, p.670). The authors explained the findings, claiming that global measures allow the evaluation of the psychological contract content in a greater extent because these measures do not constraint respondents' expectations. Overall, the global measure of breach seems to have advantages over the composite measures in predicting employees' reactions.

Regarding psychological contract fulfillment, there are two main techniques to measure it. First, as composite measure (like breach) where there is a difference score between obligations and inducements (Conway & Coyle-Shapiro, 2012; Lambert et al., 2003; Robinson, 1996). Second, a measure that entails questions to employees in which they rate the extent to which the organization has fulfilled its obligations (Coyle-Shapiro & Kessler, 2002; Karagonlar et al., 2015; Robinson & Morrison, 1995; Robinson & Rousseau, 1994). Hence, the “opposite” of the commonly used measure of psychological contract breach.

## **Psychological Contract Breach: Theories and Explanation**

This section will present a summary of the models and theories that have been used to explain the negative impact of psychological contract breach.

### **Social Exchange Theory**

The initial roots of social exchange can be identified in the works by Malinowski (1922) and Mauss (1925) that provided the basis for the following perspectives. Early works by Homans (1958), March and Simon (1958), Gouldner (1960), and Blau (1964) explored the employment relationship through an exchange perspective, which is the theoretical framework commonly used to explain the effects of the psychological contract breach.

Homans (1958) drew the foundations of the theory of exchange in the interaction between individuals and groups by defining social behavior as “an exchange of goods, material goods, but also non-material ones, such as the symbols of approval or prestige” (p.606). Therefore, exchange theory is based on the premise that social interaction is an exchange of activity, tangible and intangible (Homans, 1961). Homans also states that social behavior can be explained in terms of rewards and punishments, gains and costs, and stimulus and response; therefore, he attributes all the importance to the psychological level, rejecting the relevance of social and cultural contexts (Skitka, Winquist, & Hutchinson, 2003).

March and Simon’s (1958) inducements-contributions model describes the exchange as a relationship in which the organization gives inducements in return for employee contributions. From an employee perspective, the satisfaction depends on

the difference between the inducements and contributions. On the other hand, the organization requires sufficient contributions in order to produce inducements. According to Coyle-Shapiro and Shore (2007), “although March and Simon (1958) did not make it explicit, they viewed the exchange relationship as ongoing but contingent upon an employee perceiving greater imbalance (in their favor) between the contributions they need to give in return for organizational inducements. Thus, the inducements-contributions model is based on a reciprocal exchange” (p. 167).

The work by Homans (1958) and March and Simon (1958) ascribes to the process of exchange some degree of reciprocation between what is given to and received from the organization (Coyle-Shapiro & Conway, 2004). However, Gouldner clarified the process of exchange in his seminal work on the norm of reciprocity. Gouldner (1960) defined the norm of reciprocity as a social rule that states that people should repay or return favors and other acts of kindness. This norm also involves the expectation that people get what they deserve and it may be seen as an universal principle (Gouldner, 1960). According to the author, the norm of reciprocity has two assumptions: first, “people should help those who have helped them”; second, “people should not injure those who have helped them” (1960, p.171). Additionally, Gouldner (1960) distinguished heteromorphic from homeomorphic reciprocity, which was an attempt to expand the meaning of “equivalence” (in repayment) in an exchange relationship (Coyle-Shapiro & Conway, 2004). The former is an exchange similar in form; the latter is similar in terms of value (Gouldner, 1960; Roloff, 1987). Concerning the process, Gouldner (1960) postulates that the obligation to return favors depends on the value of the benefit received, thus as more valued the benefit, more obligation to reciprocate. Coyle-Shapiro and Conway (2004) summarized the value of the benefits: “benefits are more valued when

(a) the recipient is in great need; (b) the donor cannot afford to (but does) give the benefit; (c) the donor provides the benefit in the absence of a motive of self-interest; and (d) the donor was not required to give a benefit” (p.9).

In his work, Blau (1964) viewed the social exchange as a key process in social life and as a core process to explain relationships between groups and between individuals. He defined social exchange as “voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others” (Blau, 1964, p.91). Blau (1964) compared economic and social exchanges posing that, in social exchange, the nature of the obligations remains unspecified. Moreover, he stated that “only social exchange tends to engender feelings of personal obligations, gratitude, and trust; purely economic exchange as such does not” (p.94). Another noteworthy point of Blau’s (1964) work is related to timing for return the favor or repayment. According to Coyle-Shapiro and Conway (2004), three main ideas are presented here: first, the obligation of returning favors and the trust that the obligations will be honored reinforces the exchange; second, social exchange relationships take time to develop; and third, the first transactions are small and require low levels of trust.

In summary, these theories and models share the notion of reciprocity and such idea has been used to explain the negative consequences of psychological contract breach (Coyle-Shapiro & Shore, 2007; Shore & Tetrick, 1994). Moreover, there is empirical evidence to support this idea (e.g., Tekleab & Taylor, 2003). However, some researchers (e.g., Coyle-Shapiro & Conway, 2004; Coyle-Shapiro & Shore, 2007; Shore, et al., 2006) mentioned that there is an over-reliance on the norm of reciprocity in explaining the employment relationship, in general, and the impact of the psychological contract breach, in particular. For instance, Coyle-Shapiro and

Conway (2004) claim that “an exclusive reliance on exchange based frameworks may not do justice to the range of norms that may govern how individuals act in their relationship with their employer” (p.21).

Psychological contract breach represents a perceived imbalance in the exchange relationship between an employee and his/her organization. Applying social exchange theory, an assumption can be made: an employee who perceives a breach in his/her psychological contract would feel that the organization is not giving what he/she deserves, therefore he/she reciprocates accordingly. Based on the norm of reciprocity (Gouldner, 1960), the more the organization fails to comply with its obligations to the employee, the more the employee will decrease the obligation to give back the organization (Robinson et al., 1994). This reciprocation can be a reduction in in-role performance (e.g., Bal, 2010, 2013; Johnson & O’Leary-Kelley, 2003; Lester et al., 2002), affective commitment (e.g., Ng et al., 2010; Rosen et al., 2009), organizational citizenship behaviors (e.g., Restubog et al., 2006; Robinson & Morrison, 1995), or an increase in deviant (e.g., Bordia, Restubog, & Tang, 2008; Rosen & Levy, 2013) and neglect behaviors (e.g., Turnley & Feldman, 1999; Zagenczyk et al., 2015).

### **Affective Events Theory and Theory of Emotion**

Affective events theory (AET) highlights employees’ emotional reactions to workplace events and was developed as an answer to the other theories that focused only on judgement processes (Weiss & Cropanzano, 1996). According to the authors, employees often engage in emotional reactions as a consequence of specific events

and those reactions directly impact attitudes and behaviors (p. 11). It is also important to notice that dispositional variables may play a role on emotional reactions. Weiss and Cropanzano (1996) also recommended researchers to differentiate affects from attitudes and to acknowledge that affective reactions are not objective neither logical. They explained that, when an affective reaction is triggered, an individual may feel overwhelmed and the intensity of the reaction depends on the importance of the situation to personal accomplishments. Specifically, Conway and Briner (2002) denoted that when broken promises are important for the individual, his/her reaction will be negatively stronger.

Supporting these ideas, Zhao et al. (2007) argue that this theoretical framework helps to explain the behavioral consequences of psychological contract breach and potential mediators. Moreover, building on AET, they state that affect plays a key mediating role “for the effect of the event on other outcomes such as attitudes (...) as the most proximal reaction to a significant event” (p.654). Grounding their hypotheses on AET, Zhao et al. (2007) proposed that psychological contract breach is a significant workplace event that triggers emotional and affective reactions, which in turn forecast work attitudes. Specifically, they proposed that violation and mistrust will mediate the impact of breach on work attitudes. Their meta-analytic findings suggested that violation mediates the relationship between breach and attitudes (i.e., job satisfaction, affective organizational commitment, and turnover intentions), and that these attitudes correlated negatively with in-role and extra-role performance.

When examining the results, within AET, the theoretical basis is the judgement-driven behaviors in which is claimed that a specific work event (breach) leads to an affective reaction (violation), which in turn impacts attitudes that influence

behaviors. Bordia et al. (2008) also discuss AET as an explanation for the mediating role of violation, arguing that breach triggers negative work attitudes as a consequence of “the strong sense of violation experienced” (p.1106). In addition, Raja et al. (2004) found evidence of violation as a mediator variable between breach and attitudes.

Another important theory to explain the intervening role of violation in the breach-outcome relationship is Lazarus’s (1991a, 1991b) cognitive-motivational-relational theory of emotion (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008; Suazo & Stone-Romero, 2011). This theory states that cognition (breach) precedes emotion (violation) (Lazarus, 1991a). Emotions are defined as “discrete states when considered at the level of actual response readiness – at the level of particular action tendencies (...) of response to the event’s valence and urgency” (Frijda, 1986, p.259). Similar to AET, this theory also underlines the role of personal goals’ relevance, which is important to the appraisal process and consequent response.

Using the theory of emotion as theoretical background, Dulac et al. (2008) examined the mediating role of violation in the relationship between breach and attitudes (i.e., affective commitment, trust in organization, and turnover intentions). They found a direct relationship between breach and turnover intentions, and an indirect relationship with affective commitment and trust via violation. Suazo and Stone-Romero (2011) criticized the fact that Dulac et al. (2008) used the Lazarus’ theory to explain the mediator role of violation between breach and attitudes; however, the rationale to explain the link between violation and outcomes was missing. Based on this critic, Suazo and Stone-Romero (2011) justified the violation-outcomes link with research about the adaptive proprieties of emotions to context stimuli (Plutchik, 1989), the energy boost function of emotions in response to stimuli



(Wallbott & Scherer, 1989), and the intention to engage in harming behaviors towards the organization after a negative stimulus (Bies et al., 1997). Moreover, Suazo and Stone-Romero (2011) also used AET as a framework to explain this relationship. They found a direct relationship between breach and outcomes, but also a mediated relationship by violation.

### **Organizational Justice Theory**

Greenberg (1987) introduced “organizational justice” to provide an understanding of employees’ attitudes and behaviors. Organizational justice theory (Colquitt, Greenberg, & Phelan, 2005) analyzes individuals’ perceptions of fairness in the employment relationship. This theory claims that individuals consider the outcomes they received, the procedures used to get those outcomes, and the treatment received, when deciding whether a situation is fair or unfair (Brockner & Wiesenfeld, 1996; Greenberg, 1987; Leventhal, Karuza, & Fry, 1980; Skarlicki & Folger, 1997).

Organizational justice has three categories, namely distributive justice, procedural justice, and interpersonal justice (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). The former relates to the fairness of the outcomes; the second refers to the process, i.e., how the outcomes are allocated; the latter has to do with the treatment received in the process. These three types of justice are related to each other. For instance, Skarlicki and Folger (1997) found a three-way interaction between the justice types. Specifically, they discovered that fair procedures moderate the employees’ retaliatory behaviors against the organization when distributive and interactional justice are low; the same holds true for the moderating role of

interactional justice in low procedural and distributive justice. Their explanation is based on the “substitute proprieties” of procedural and distributive justice.

Some researchers consider psychological contract breach as a form of distributive injustice in which specific promises and outcomes have not been fulfilled (Kickul, Neuman, Parker, & Finkl, 2001). In other words, when the individual does not receive what (outcome) he/she deserves, it means that the individual perceives the outcome as unfair. In their study, Kickul et al. (2001) examined the interactive effects of breach, procedural and interactional justice in predicting employees’ anticitizenship behaviors. This idea is aligned with the theoretical work by Morrison and Robinson (1997) where they argued that the strength of the reaction to breach may be moderated by perceptions of justice.

On the other hand, Robbins and colleagues argue that “psychological contract breach can be viewed as another form of organizational unfairness that is conceptually similar but not identical to organizational injustice (...) As such, the nature of the psychological contract is somewhat broader than the prior forms of organizational injustice, which cover only a limited aspect of the employee-employer relationship” (Robbins, Ford, & Tetrick, 2012, p. 236). These researchers conclude that when a breach occurs, an individual will perceive that he/she is receiving less than deserved, therefore it would be evaluated as an unfair condition.

## **Stress Theories**

Some studies have used (parts of) the stress theories to justify their hypotheses, however the conceptualization of breach as a workplace stressor and the theoretical link between psychological contract theory and stress theory remains

underexplored. The first manuscript to build a bridge between breach and stress was published by Gakovic and Tetrick (2003a). In their article, they argue that psychological contracts reinforce the perceptions of control and predictability (Shore & Tetrick, 1994), which substantially decrease when obligations are unfulfilled. Moreover, this reduction may be related to experienced stress for employees (Gakovic & Tetrick, 2003a; Maslach, Schaufeli, & Leiter, 2001). Based on these arguments, in a sample of 161 employees of a financial company, they found that fulfillment of obligations was negatively related to emotional exhaustion and job dissatisfaction (two common ways to measure stress).

More recently, Lapointe, Vandenberghe and Boudrias (2013) argued that breach can be “conceived as a stressor that alters the quality of employee-organization relationship and depletes individuals’ organization-related outcomes” (p.535). In a sample of 224 newcomers, they drew their hypotheses using Conservation of Resources theory (COR theory; Hobfoll, 1989) by proposing that the resource drain explains how newcomers react after a breach. Basically, they assume that breach starts a resource depletion process that harms organizational relationships, ultimately increasing turnover intentions and emotional exhaustion. Lapointe et al. (2013) argue that the relationship with the supervisor, specifically the affective commitment to the supervisor, may work as a resource. This is justified by COR theory (Hobfoll, 1989, 2002) when it suggests that individuals who are gifted with more resources are less affected by resource depletion and the consequent stress.

Criticizing the overreliance in social exchange theory, Kiazad, Seibert and Kraimer (2014) developed a model in which they examined the conditions under which breach related to employees’ use of work-role innovation as a means to acquire or conserve resources. Building upon the idea that employees can respond

constructively to negative events (e.g., Halbesleben & Bowler, 2007), they argue that a positive response can occur in response to breach. A key point in COR theory is that individuals endeavor to safeguard and accumulate valued resources, which opens two possibilities: first, individuals withdraw to prevent further loss; second, individuals make an effort to accumulate new resources overcoming the loss of the other resources (Halbesleben & Bowler, 2007). In this line, breach is seen as “a loss of valued resources” (Restubog, Zagenczyk, Bordia, & Tang, 2013; Kiazad et al., 2014, p.536). Moreover, Kiazad et al. (2014) suggested that the response to breach can be positive or negative depending on the situation. They defined the “situation” as the forces of organizational embeddedness (i.e., links, person-organization, and sacrifices). They found support for the moderating role of embeddedness in the breach-work-role innovation relationship, highlighting the importance of analyzing breach using another theoretical lens.

## **Conclusion**

After the presentation of the theoretical perspectives, a pertinent question arises: why is SET the approach commonly used to explain the employees’ reaction to the psychological contract breach? Several reasons may be pointed out. First, social exchange theory and the norm of reciprocity provide a clear explanation for the employees’ attitudes and behaviors following a breach. In other words, there is a strong fit between the theoretical explanation and empirical evidence. Second, AET is more used to justify the emotional reaction (violation) rather than the attitudinal and behavioral reactions to the breach. Third, in organizational justice theory, there is no consensus about conceptualization of breach. Finally, the link between stress theories

and breach is underdeveloped, i.e., studies have mentioned it without providing enough theoretical explanation.

### **Antecedents of Psychological Contract Breach**

While psychological contract breach outcomes have been extensively investigated, little research has examined the antecedents of breach. From a theoretical perspective, reneging, incongruence, salience, vigilance, and perceived unmet promises were presented as potential antecedents (Morrison and Robinson, 1997). Correspondingly, reneging is “when an agent or agents of the organization knowingly break a promise to an employee” (p.231), that is, when the organization is not able or willing to fulfill the promises made to an employee, whereas incongruence happens when an employee and the organization have a different and honest understanding of a promise. Reneging is also named as the true contract breach (Lo & Aryee, 2003). Regarding salience and vigilance, the key point is whether an unmet promise will be perceived. The former defines the degree to which a stimulus stands out from the proximate context and depends on the importance of the promise, the explicitness, and the size of incongruity between what was promised and what was received (or not). The latter is related to the extent an employee monitors and verifies the contract’s fulfillment and it depends on uncertainty, type of employment relationship, and the apparent costs of identifying an unmet promise (Morrison & Robinson, 1997). Finally, the employee calculates a ratio between benefits and contributions in order to determine the existence of a breach. The equation is as follows (Morrison & Robinson, 1997):

$$\frac{\textit{Benefits provided by the organization}}{\textit{Benefits promised by the organization}} = \frac{\textit{Contributions provided by the employee}}{\textit{Contributions promised by the employee}}$$

Empirical studies on breach antecedents are scarce. Organizational factors have been pointed as possible antecedents of breach. For instance, Robinson (1996) proposed that initial employee's trust in the organization would be negatively related to psychological contract perceptions and she found support to her hypothesis, employing a longitudinal design with a sample of 125 newly hired managers. In addition, Robinson also found that trust and unmet expectations mediated the breach-contributions relationship. Accordingly, untrustworthy organizations may be more likely to breach the contracts and employees with low organizational trust may be more vigilant and detect every small change in their contracts.

Robinson and Morrison (2000) have partially examined their theoretical model (Robinson & Morrison, 1997). Specifically, they tested different breach antecedents: reneging (i.e., organizational performance and employee performance), incongruence (i.e., formal socialization, implicitness of promises, pre-hire interaction), and vigilance (i.e., organizational change, perceived breach history, employment alternatives). In a sample of 147 managers, just prior to beginning a new job (time 1) and 18 months later (time 2), they found support for the hypotheses. According to Robinson and Morrison (2000), perceptions of breach arise “not only from true contractual transgression, but from a complex, and sometimes imperfect, sensemaking process” (p.543), in which breaches are ascribed to situations in which the organization is not able or willing to fulfill promises or to different perceptions between employees and organizational agents.

In a study with 152 Hong Kong Chinese employees, Lo and Aryee (2003) found that organizational change and history of psychological contract breach were

also antecedents of breach. The authors argued that organizational change often takes place after poor performance and the breach is caused by the organization's inability to fulfill the promises. In addition, employees with history of breach meticulously monitor the promises of the contract. Moreover, managers in organizations undergoing structural changes (i.e., reorganizations, mergers and acquisitions, and downsizing) are more likely to perceive breach of their contracts (Turnley & Feldman, 1998).

Perceived organizational support (POS, Aselage & Eisenberger, 2003; Coyle-Shapiro & Conway, 2005) has been defined as employees' "global beliefs concerning the extent to which the organization values their contributions and cares about their well-being" (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p.501). POS was also studied as an antecedent of breach as employees with high POS would believe that the organization has his/her best interest (Aselage & Eisenberger, 2003) and tend to display a positive bias towards the organization's ability to fulfill its obligations (Coyle-Shapiro, 2001). For instance, in a sample of 152 employees from three large Belgian organizations, Dulac, Coyle-Shapiro, Henderson and Wayne (2008) found that POS and leader member exchange (LMX<sup>1</sup>) measured in time 1 predicted breach six months later, emphasizing the interconnection of social exchange and psychological contract processes.

Montes and Zweig (2009), using both experimental (558 undergraduates and 441 employees) and longitudinal designs (383 employees), provided some evidence regarding the fact that breach perceptions can exist in the absence of promises. Suggesting that employees are more concerned with delivered inducements rather

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<sup>1</sup> Defined in page 55

than promises made, their finding goes against the existing literature, which assumes that promises are key to perceive a breach in psychological contract.

Rosen and colleagues (2009) have examined four different theoretical models: sensemaking-input model, selective perception trigger model, environmental responsiveness model and general (un)fairness model. Using a cross-lagged panel analysis, they found that organizational politics and justice are antecedents of breach perceptions; hence, the results “supported the environmental responsiveness model, which specifies that organizational politics and procedural injustice lead employees to feel that a discrepancy exists between what they were promised by their organizations and what they actually received” (p.213).

In a sample of 234 full-time employees in USA, Suazo, Turnley and Mair-Dalton (2008) assessed whether cognitive style, gender and race similarity between supervisor and employee and LMX predicted breach. They found no significant differences in terms of demographic similarity, but similarity of cognitive style was found to be negatively associated with breach. They concluded that, when supervisors and employees overcome the problems similarly, employees perceived fewer breaches in their contracts (Suazo et al., 2008).

### **Consequences of Psychological Contract Breach**

Most of the research on psychological contract breach is focused on its negative consequences. This section presents a description of breach consequences in terms of attitudes, affect and emotions, health, social exchange relations, and behaviors.



## **Attitudes**

Previous research has suggested that breach severely impacts work attitudes (Bal et al., 2008; Conway & Briner, 2005; Zhao et al., 2007). Work attitudes are employees' evaluation of their work and employer and can take many forms. Based on past studies, one can say that when a breach occurs, an employee will make a negative evaluation of the employer and/or work. Moreover, attitudes are key to understand employees' behaviors (Bal et al., 2008; Harrison, Newman, & Roth, 2006).

### *Affective Organizational Commitment*

Affective organizational commitment is the strength of one's identification, involvement and emotional attachment to an organization (Meyer & Allen, 1984). It is considered to be the "attitudinal" commitment and refers to the degree of loyalty one has for the organization (Iverson & Buttigieg, 1999, p.308). This type of commitment has been distinguished from continuance and normative commitment. The former has been defined as the perceived costs of leaving the organization and the latter as the perceived obligation to remain in the organization (Meyer & Allen, 1984; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Allen and Meyer (1990) stated that the more relevant antecedents of affective commitment are related to one's job.

According to Restubog and colleagues (2006), the affective dimension is the most important for understanding psychological contracts because it is influenced by individuals' needs and expectations about their organization. From a social exchange perspective (Blau, 1964), when the organization fails its obligations, employees will

view their relationship with the employer as less valuable and respected. As a consequence, employees will lower their affective commitment and they will be less likely to identify, be involved with and attached to the organization (e.g., Burderson, 2001; Lester et al., 2002; Restubog et al., 2006; Rousseau, 1990). Past studies supported this line of arguments. For instance, Conway and Briner (2002b) showed that the negative impact of breach on employees' affective commitment is independent of their work status. Specifically, using a cross-sectional design in a sample of two organizations, they examined whether being a full-time or part-time employee would impact the reactions to breach. They found no significant differences in this matter, but they did find a positive relationship between breach and affective commitment.

In a sample of information technology employees from the Philippines, Restubog, Bordia and Tang (2006) found that affective commitment fully mediated the relationship between breach and self-rated and supervisor-rated civic virtue behavior, but not between breach and in-role performance. They provided two explanations for the results: civic virtue and in-role performance have different antecedents (MacKenzie, Podsakoff, & Ahearne, 1998) and affective commitment is a “motivational force for employees to engage in discretionary behaviors” (Mayer, Becker, & Vandenberghe, 2004; Restubog et al., 2006, p. 303).

In their study with business and psychology employed students at a midwestern university, Rosen and Levy (2013) also found a negative relationship between breach and affective organizational commitment. In addition, they reported the mediated role of commitment in the relationship between breach and in-role performance and organizational citizenship behavior. The same relation did not hold true for counterproductive behaviors.

In a meta-analysis, summarizing 20 different studies, Zhao et al. (2007) found a true strong negative correlation between breach and affective commitment.

### *Job Satisfaction*

Job satisfaction is a positive evaluation about one's job or job situation (Locke, 1976; Weiss, 2002). This definition is aligned with Locke's (1976) definition in which job satisfaction is a "pleasurable or positive emotional state resulting from an appraisal of one's job or job experiences" (p.1300). Job satisfaction is then an evaluation of an emotional state and develops throughout cognitive and affective reactions of employees (Locke, 1976). In addition, job satisfaction involves judgments of one's job characteristics and its comparison with other individuals (Williams & Anderson, 1991).

The negative impact of breach on employees' job satisfaction is well documented in the literature (Coyle-Shapiro & Kessler, 2000; Tekleab et al., 2005). Research has indicated that when a breach occurs, employees will be dissatisfied with their work/job (e.g., Bal et al., 2013; Raja et al., 2004, 2011; Robinson, 1996; Teague et al., 2012). Examining a sample of 191 employees in a longitudinal design, Tekleab, Takeuchi and Taylor (2005) found that breaches rather than POS predict employees' job satisfaction. Raja et al. (2004) also found a negative relationship between breach and job satisfaction in a sample of Pakistani employees. In addition, meta-analytic results by Zhao et al. (2007) considering 28 studies indicated a strong negative relationship between breach and satisfaction.

### *Turnover Intentions*

Turnover is a major problem for organization as it is associated with high costs (Cascio, 1992). Turnover intention is the subjective likelihood of an employee leaving an organization and also indicates the attachment to the organization (Zhao et al., 2007). These intentions are a common response to negative events at workplace (Lum, Kervin, Clark, Reid, & Sirola, 1998) and are considered to have a highly significant effect on organizational effectiveness (Pitt, Marvel, & Fernandez, 2011). According to Robinson and Rousseau (1994), the breaches of psychological contract weakens the employment relationship. Employees therefore lose “faith in the benefits of staying in the relationship and (...) [are] more likely to leave” (p. 248).

Strong empirical evidence has demonstrated a clear link between breach and turnover intentions. For instance, in a sample of media organizations and employing a cross-sectional design, Addae, Parboteeah and Davis (2006) found that employees who perceived breaches in their psychological contract are more likely to think about quitting their jobs. In addition, using a longitudinal design in a sample of 106 newly hired employees, Orvis, Dudley and Cortina (2008) reported a positive association between breach (time 2: three months later) and turnover intentions (time 3: five months later), which is strengthened by employee conscientiousness (time 1: first month of employment). Another example is given by Chin and Hung (2013) who found a positive relationship between breach and turnover intention in an insurance industry sample. They also examined the moderating role of adversity quotient and gender and they found support for the former, but not for the latter. Specifically, employees with high adversity quotient are more likely to remain with an organization than employees with low adversity quotient.

## **Affect and Emotions**

Emotions play an important role in explaining attitudes and behaviors. Affective event theory (AET, Weiss & Cropanzano, 1996) proposed that affective and emotional states are key to understand the relationships between context, traits, attitudes and behaviors. Affective responses are the emotional experiences that follow a relevant workplace event (Zhao et al., 2007). In this line, researchers are concerned with the emotional impact of breach on the individuals. It is also important to note that emotions can be seen as an outcome of breach as well as a process through which breach impacts attitudes and behaviors. For instance, psychological contract violation is usually used as a process, whereas negative affect and well-being are examined as outcomes.

### *Psychological Contract Violation*

Morrison and Robinson (1997) distinguished between psychological contract breach and violation. The former is the cognitive evaluation and the latter the emotional reaction. Violation is a consequence of psychological contract breach and entails anger, frustration and disappointment (Morrison & Robinson, 1997). Moreover, violation can be considered “one of the mechanisms through which perceived breach is translated into outcomes” (Raja et al., 2004, p.354). Robinson and Morrison (2000) examined the distinctiveness of both constructs and the relationship between them in a sample of 147 employees with MBAs. They found that perceived breach and violation are different concepts and that breach predicted feelings of violation. Also supporting these results, Raja and colleagues (2004) found that breach was a significant predictor of feelings of violation. Additionally, Restubog,

Zagenczyk, Bordia, Bordia and Chapman (2012) examined a moderated mediation model, in which employees' emotion (violation) and motivation (revenge) were tested as mediators; whereas personality (self-control), and context (aggressive culture) were assessed as moderators in the breach-deviance relationship. Across two hospitality samples, they validated their model. Therefore, they also found a positive association between breach and violation.

### *Negative Affect*

Negative affect has been defined as “a general dimension of subjective distress and unpleasurable engagement that subsumes a variety of aversive mood states, including anger, contempt, disgust, guilt, fear, and nervousness” (Watson, Clark, & Tellegen, 1988). In other words, negative affect (i.e., nervousness and anxiety) result from obstacles to employees' goals, needs and values (Zohar, 1999). According to AET, workplace events such as breach provoke emotional reactions (Weiss & Cropanzano, 1996; Zhao et al., 2007).

Empirical evidence of this relationship has been scarce and mixed. On the one hand, some studies reported a significant positive relationship between breach and negative affect. Data collected from 163 employees working in different organizational settings provided support for this negative relationship and this effect was even stronger in younger employees (Bal & Smit, 2012). In addition, Guerrero and Herrbach (2008) found a significant negative correlation between fulfilment and negative affect in a manager sample of 249 participants using a longitudinal design. On the other hand, Cheung and Chiu (2005) found a positive correlation between fulfilment and negative affectivity in a sample of 354 Chinese employees from a manufacturing firm.

### *Emotional Well-Being*

Emotional well-being can be defined as “when individuals have the psychological, social and physical resources they need to meet a particular psychological, social and/or physical challenge” (Dodge et al., 2012). Employee well-being is key for human resources management (Guest, 1998), however there is limited research on the relationship between breach and emotional well-being. For instance, using a longitudinal design in a sample of 166 pharmaceutical employees, Conway et al. (2011) found that changes in the fulfilment-breach continuum (Time 1 and Time 2: eight months later) produce different levels of emotional well-being (Time 1 and Time 2) (Conway, Guest, & Trenberth, 2011). In addition, Cassar and Buttigieg (2015) also found a positive relationship between breach and emotional well-being in a sample of 620 full-time technical and shop-floor employees in an automobile-parts company in Malta.

### **Health**

Health can be defined as “a complete state of physical, mental, and social well-being and not merely the absence of disease” (World Health Organization, 1948). Researchers have been conscious about the social and contextual factors that contribute to the prevalence of many human maladies; therefore, as individuals spend most of time at work, workplace pressure, strain, and stress have been identified as being an important aspect of individuals’ health (Faragher, Cass, & Cooper, 2005).

Emotional exhaustion and burnout are often seen as an indicator of employee health (Maslach, Schaufeli, & Leiter, 2001). It is commonly known that employees

who encounter job stressors are more likely to suffer from emotional exhaustion and burnout (De Croon, Sluiter, & Blonk, 2004; Sonnentag, Kuttler, & Fritz, 2010).

### *Burnout*

Burnout entails three components: depersonalization, diminished personal accomplishment and emotional exhaustion (Maslach, 1982; Maslach & Jackson, 1981). Depersonalization or dehumanization has to do with treating others like objects and being cynical. The second component is depicted as a negative evaluation of oneself, such as being incompetent (Cordes & Dougherty, 1993). Emotional exhaustion has been defined as the extent to which employees feel emotionally overwhelmed and drained by their work (Leiter & Maslach, 1988; Wilk & Moynihan, 2005). Therefore, employees experience “a lack of energy and a feeling that one’s emotional resources are used up” (Cordes & Dougherty, 1993, p. 623). Empirical studies linking breach to burnout are still sparse. As exceptions, Cantisano and Domínguez (2005) have presented two studies with mixed results. First, in a sample of 107 prison employees, Cantisano and Domínguez (2005a) found a non-significant correlation between breach and burnout. On the other hand, Cantisano and Domínguez (2005b) found a strong positive correlation between these constructs in another sample of prison employees. Aligned with this result, Jamil, Raja and Darr (2013) also found a strong positive association between breach and burnout in a sample of 361 employees from different organization in Pakistan.

Researchers often focus solely on emotional exhaustion (instead of the three burnout dimensions) to examine employees’ health because it is the most significant dimension of burnout (Cropanzano, Rupp, & Byrne, 2003; Maslach & Jackson, 1981;



1996; Maslach, Schaufeli, & Leiter, 2001; Schaufeli & Taris, 2005). Second, there is some evidence showing that emotional exhaustion precedes the other burnout dimensions (i.e., depersonalization and personal accomplishment; Toppinen-Tanner, Kalimo, & Mutanen, 2002) and therefore it is key for the burnout process. Third, emotional exhaustion is usually associated with poor performance and poor health (Cropanzano et al., 2003; Melamed, Shirom, Toker, & Shapira, 2006).

When the contract is not fulfilled, employees may perceive reduced predictability and control, which is stressful (Shore & Tetrick, 1994). Moreover, Gakovic and Tetrick (2003a) found that psychological contract breach is associated with high levels of emotional exhaustion in a sample of 161 employees from a large financial corporation. In addition, examining a community bank sample of 103 participants Johnson and O’Leary-Kelly (2003) found a significant positive correlation between breach and emotional exhaustion.

### *Mental and Physical Health*

Employees’ mental and physical health is characterized by a positive general state involving high levels of emotional, social, physical and psychological well-being (Keyes, 2005). The research linking breach to mental and physical health is scarce. The limited number of studies found that breach precedes strain reactions, translated in terms of mental and physical health/complaints (Cantisano & Domingues, 2005b; Parzefall & Hakanen, 2010; Vander Elst, De Cuyper, Billien, Nielsen, & De Witte, 2014). It is relevant to distinguish mental complaints’ indicators from physical complaint. The former is whether an individual would feel downhearted and blue and the latter is whether an individual would consider to get sick more often or easier than other people (Vander Elst et al., 2014).

## **Social Exchanges**

Researchers have been interested in the role of social exchange as it is an important process through which one can understand the employment relationship and workplace behaviors (Rousseau, 1990). According to Blau (1964), social exchanges at work are commonly seen as long term relations in which reciprocity over time regulates the balance of the exchange. Organizational trust, perceived organizational support and procedural justice have been studied as types of employee-employer exchange (Aryee, Buhwar, & Chen, 2002; Wayne, Shore, & Liden, 1997).

### *Organizational Trust*

Organizational trust has been developed as an important topic in management, sociology, psychology, and economics (Colquitt, Scott, & LePine, 2007). Rousseau et al. (1998) defined trust as “a psychological state comprising the intention to accept vulnerability based upon positive expectation of the intentions or behavior of another” (p.395). Moreover, trust is dynamic and evolve throughout time; a feedback loop may happen as the results of trusting behaviors will revise and update the previous perceptions of trustee’s ability, benevolence and integrity (Mayer, Davis, & Schoorman, 1995). In other words, the outcome of prior trust behaviors will alter the perceive trustworthiness as the trustor acquires more knowledge about the trustee.

Research has shown that trust is a key component of social exchange relationships and the “non-fulfilment of perceived obligations diminishes trust by compromising the values of integrity and benevolence which are important building blocks of trust” (Restubog, Hornsey, Bordia, & Esposito, 2008, p. 1379). Moreover, a

breach involves a loss of something expected and a loss of trust (Robinson, 1996). Actually, previous studies have found that breach is associated with low levels of trust (Deery, Iverson, & Walsh, 2006; Robinson, 1996). For instance, Deery and colleagues (2006) established the relationship between breach and the erosion of trust in a sample of 480 customer service Australian employees. With 3 samples of alumni from USA, using cross-sectional and cross-lagged designs, Robinson and colleagues found a negative relationship between breach and trust (Robins. on, 1996; Robinson & Morrison, 1995; Robinson & Rousseau, 1994). In addition, Lapalme, Simard and Tremblay (2011) found similar results within a sample of temporary workers from the baking sector.

#### *Leader-member Exchange*

Liden and Maslyn (1998) defined leader-member exchange (LMX) as perceptions of quality of the interpersonal social exchange relationship between a leader (supervisor) and a particular employee (subordinate). High quality LMX relationships are characterized by high trust, respect and commitment (Liden & Maslyn, 1998). According to Dulac et al. (2008), employees with high LMX will perceive less breaches because the quality of the relationship is likely to influence the employee expectations of the proximal returns. Moreover, Ulh-Bien and Maslyn's study (2003) supported this idea and indicated that as the quality of the relationship improved, the time for reciprocation is not crucial for the relationship.

Empirical evidence has shown a negative relationship between breach and LMX. In some studies, LMX is conceptualized as an antecedent of breach (e.g., Dulac et al., 2008). In other studies, LMX is viewed as a moderator with the potential to weaken the positive relationship between breach and aggressive voice behavior (Ng,

Feldman, & Butts, 2014). Examining the moderating role of LMX in the breach-performance relationship across three different samples and designs (i.e., cross-sectional and longitudinal), Restubog, Bordia, Tang and Krebs (2010) proposed two competing perspectives: one based on the social support perspective and the other based on the betrayal perspective. The former suggested that LMX reduces the negative impact of breach on performance and the latter indicated that high LMX strengthens the negative impact. They found support for the betrayal perspective, where high LMX intensified the negative relationship between breach and both in and extra role performance.

## **Work Behaviors**

Work behaviors are employees' actions at the workplace and are more tangible than attitudes and emotions (Zhao et al., 2007). Psychological contract breach not only impacts employee's attitudes, emotions, health, and relationships but also his/her behaviors. Specifically, when an employee perceives a breach, he/she may change work behaviors in order to balance the relationship between his/her and their organization's contributions.

### *Task and Contextual Performance*

Task performance or in-role behavior has been defined as the effectiveness when employees perform their activities and contribute directly to the organization's technical core (Borman & Motowidlo, 1993). This type of performance includes specific know-how, skills and abilities required for employees to effectively perform their jobs, therefore it represents their responsibilities (Restubog et al., 2010). On the

other hand, contextual performance (Borman & Motowidlo, 1993) or organizational citizenship behavior (OCB) represents “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficiency and effective functioning of the organization” (Organ, 1988, p.4). It is also defined as an extra-role behavior (Bateman & Organ, 1993). According to Katz and Kahn (1978), organizational functioning requires employees to perform their tasks, but also to engage in behaviors that go beyond the formal contract obligations. Moreover, Turnipsee and Rassuli (2005) argue that OCBs support and facilitate in-role behaviors.

Based on social exchange theory (Blau, 1964), when employees perceive a breach, they will be motivated to restore balance in the relationship in some way. Accordingly, employees may reduce their work efforts (Lester et al., 2002). Supporting this idea, research has consistently shown a negative relationship between breach and in-role behaviors, regardless of its measure or rater (i.e., self or other). For instance, Robinson (1996) found a direct negative relationship between breach and employees in-role duties. In addition, Lester et al. (2002) also found the same pattern of results using supervisor ratings. More recently, Ng and colleagues (2010) reported not only that breach negatively impacts employees’ in-role behaviors, but that impact is persistent over time. This finding is key to understand the dynamic property of such breach.

Social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) also provide explanations for why breach affects OCBs. First, employees are motivated to reciprocate positive behaviors from the organization with positive behavior in order to improve the likelihood of receiving positive “things” from the organization in the future (Restubog et al., 2008). Second, according to the norm of

reciprocity, employees tend to return favors in kind, therefore if the organization is supportive, employees will engage in OCBs. On the other hand, if the organization breaches the psychological contract, employees are less likely to perform OCBs. A large body of research examined the link between breach and OCBs. For example, Robinson and Morrison (1995) provided evidence that when a breach occurs, employees are less likely to engage in OCBs. Moreover, Restubog and colleagues (2008) found that breach has detrimental effects on OCBs measured six months later by supervisors.

#### *Exit- Voice-Loyalty-Neglect (EVLN Framework)*

EVLN framework (Hirschman, 1970) categorizes behavioral responses to dissatisfaction along constructive and destructive as well as active and passive dimensions. Exit is an active and destructive response, which is characterized by movements within and across organizational limits and also thoughts about these movements (Farrell, 1983). Voice is defined as intentionally expressing relevant ideas, information, and opinions about possible improvements (LePine & Van Dyne, 1998; Rusbult, Farrel, Rogers, & Mainous III, 1988; Zhou & George, 2001), therefore it is an active and constructive response. This type of voice is usually categorized as prosocial voice, a positively intended behavior (Van Dyne, Ang, & Botero, 2003). Loyalty is a passive and constructive response and it is defined as the continuous support to the organization while expecting that everything will be fine in the end (Farrell, 1983; Rusbult et al., 1988; Naus & Roe, 2007) and it is a form of attachment to the organization. A loyal employee stays in the organization despite adversities (Boorman et al., 2001). Finally, neglect refers to “passively allowing conditions to deteriorate through reduced interest or effort, chronic lateness or absences, using

company time for personal business, or increased error rate” (Rusbult, 1988, p.601), thus it is a passive and destructive response that entails reduced effort and interest in work (Vigoda, 1986).

Turnley and Feldman (1999b) argued that the EVLN framework could be used to explain how employees react to psychological contract breach. Specifically, an employee will respond to psychological contract breach by increased exit, voice and neglect and diminished loyalty. Research using this typology is scarce, however there are a few exceptions. For instance, researchers have found that breach is related to exit and neglect behaviors, (Lemire & Rouillard, 2005; Turnley & Feldman, 1999a). In a sample of volunteers from a diverse set of non-profit organizations in Belgian, Vantilborgh (2014) found that when they perceive low fulfillment of psychological contract, volunteers tend to report increased exit, aggressive voice, and neglect responses and decreased positive voice responses.

Moreover, empirical results have shown that breach is more strongly associated with exit and loyalty and more weakly with voice and neglect (Turnley & Feldman, 1999b). The explanation was focused on the negative consequences that each response may have for the individual. In this sense, voice and neglect would be “riskier responses because they occur at work and are more likely to be observed by supervisors and/or co-workers” (Turnley & Feldman, 1999b, p.917). In these studies, the link between breach and exit is always stronger than between breach and neglect behaviors (Lemire et al., 2005; Turnley & Feldman, 1999b; Vantilborgh, 2014).

Research has paid little attention to loyalty, but some studies have indicated that in cases of breach, employees will tend to lower their loyalty to the organization (e.g., Coyle-Shapiro & Kessler, 2000; Robinson & Rousseau, 1994).

### *Workplace Deviance*

Workplace deviance is a “voluntary behavior that violates significant organizational norms and in so doing threatens the well-being of an organization, its members, or both (Robinson & Bennet, 1995, p.556). A key point in this definition is the intentionality of the action (Bennet & Robinson, 2000).

As mentioned before, social exchange theory (Blau, 1964) provided the basis to understand the employment relationship and the harmful effect of breach. Specifically, when the organization fails to fulfil the contract, employees reciprocate by harming the organization’s interests. Bordia and colleagues (2008) indicated that these “harming behaviors” can include withholding effort, engaging in anticitizenship behavior, and exit the organization (Bordia, Restubog, & Tang, 2008, p.1105). Moreover, from an exchange perspective, an unfavorable work environment (in which an organization does not provided what it is expected) may be reciprocated with deviant behaviors (Colbert, Mount, Harter, Witt, & Barrick, 2004; Rousseau, 1995). In this sense, “breach acts as a provocation for deviance” and there is a motivational intent (Bordia et al., 2008, p.1105) to restore the imbalance in the relationship.

Empirical studies have supported these theoretical arguments. For instance, Bordia et al. (2008) found that when a breach occurs, employees will engage in deviant behaviors to punish the organization. In addition, Restubog et al. (2012) provided evidence about the link between breach and deviance across two different samples (i.e., 153 employees from a public sector organization in Philippines and 168 sales persons also from Philippines). Chiu and Peng (2008) also found that employees who perceive psychological contract breach are more likely to perform deviant



behaviors against the organization in a sample of 233 employees and their supervisors in eight electronic companies in Taiwan.

### *Turnover Behavior*

Actual turnover indicates whether or not an individual has left the organization. Turnover represents high financial costs for organization, unsettles its operations, and it is key for organizational effectiveness (Holtom, Mitchell, Lee, & Eberly, 2008; Hom, Mitchell, Lee, & Griffeth, 2012).

According to psychological contract theory, breach is an antecedent of turnover because it represents an “event that initiates the psychological analysis involved in quitting a job” (Lee & Mitchell, 1994; p.451). Moreover, breach harms the employment relationship and triggers the analysis costs/benefits of remaining in the organization (Conway & Brinner, 2005). Research have shown a clear relationship between breach and turnover intentions (i.e., attitude), however the relationship between breach and actual turnover (i.e., behavior) has been mixed (Clinton & Guest, 2014). For instance, in a sample of MBA graduates, Robinson and colleagues (Robinson, 1996; Robinson & Rousseau, 1994) found a positive relationship. In the same line, Bunderson (2001) found a positive association between breach and turnover (one year later) with medical professionals in a not-for-profit health care organization. Clinton and Guest (2014) reported a positive correlation between breach and turnover (2 years later) in a sample of 6001 employees from Royal Air Force. More recently, Karagonlar, Eisenberger and Aselage (2016) found a negative significant relationship between fulfillment and turnover in a sample of graduating college seniors. On the other hand, there are also studies that found no relationship between those constructs. For example, using a longitudinal design examining a

sample of 191 university employees, Tekleab et al. (2005) found a non-significant relationship between breach and turnover. The same results hold true for the Sturges, Conway, Guest, and Liefoghe's (2005) study with a sample of 151 employees of a news-media company. In 2007, meta-analytic results by Zhao and colleagues (2007) provided an overall non-significant effect.

### **Individual Differences**

Researchers are also aware of the importance of considering both person and situation when examining psychological contracts (Conway & Briner, 2002; Turnley & Feldman, 1999b). However, the role of individual differences in the understanding of psychological contract breach is still scarce (Coyle-Shapiro & Neuman, 2004). There are some empirical studies linking breach with individual differences, namely equity sensitivity differences (Restubog et al., 2007, 2009), personality (Orvis et al., 2008; Raja et al., 2004), age (Bal et al., 2008), exchange and creditor ideologies (Coyle-Shapiro & Neuman, 2004), hostile attribution style (Chiu & Peng, 2008); social exchange (Bal, Chiaburu, & Jansen, 2010), employee traditionality (Chen, Tsui, & Zhong, 2008), and emotion regulation (Bal, Chiaburu, & Diaz, 2011).

Equity sensitivity is an individual difference which defines individuals' preferences for different input/output outcome relations, that is, individuals' sensitivity to under or over reward situations (Huseman, Hatfield, & Miles, 1985, 1987). Equity sensitivity is conceptualized as a continuous variable, in which one can find benevolents and entitlements at the ends of the continuum. Benevolents are organizational "givers" as they prefer to give than receive; and entitlements are organizational "takers" as they are outcome oriented and prefer to receive rather than

give (Huseman et al., 1987). According to King and colleagues, entitlements are more concerned with transactional aspects of the employment relationship and are more intolerant of unfavorable input/output ratios (King & Miles, 1994; King, Miles, & Day, 1993). Empirical evidence supports the moderating role of equity sensitivity in the breach-organizational citizenship behavior and breach-deviant behaviors relationships (Restubog, Bordia, & Tang, 2007). In addition, Restubog, Bordia and Bordia (2009) found an interaction between breach and equity sensitivity in predicting affective organizational commitment.

Regarding personality, Raja, Johns and Ntalianis (2004) examined the Big Five personality traits (i.e., neuroticism, extraversion, conscientiousness) and narrow traits (equity sensitivity, locus de control, self-esteem) among employees from five well-established organizations located in Pakistan. They found that neuroticism and conscientiousness, and external locus of control predicted breach. They found no support for the other traits. In addition, Orvis, Dudley and Cortina (2008) tested the moderator role of conscientiousness in the breach-outcomes relationship. Longitudinal data from 106 newly hired employees indicate that conscientiousness moderates the relationship between breach and turnover intentions, loyalty, satisfaction and job performance. Specifically, more conscious employees reduced their performance in response to a breach and less conscious employees react more negatively to breach by increasing their turnover intentions, and decreasing their loyalty and satisfaction.

Concerning demographic variables, age has received a lot of attention. Bal and colleagues suggested that age may play an important role in understanding reactions to psychological contract breach (Bal, Lange, Jansen, & Velde, 2008; Bal & Smit, 2012). Using AET, SET and lifespan theories, they proposed that age would moderate

the breach-attitudes relationship. In their meta-analysis with 60 studies, they found that older workers are less affected by breach in terms of trust and commitment. However, they also found the opposite pattern of results for job satisfaction. Specifically, younger workers are less affected by breach in terms of job satisfaction.

Other individual differences examined were the exchange and creditor ideologies (Coyle-Shapiro & Neuman, 2004). On the one hand, exchange ideology is the “degree to which an individual’s work effort is contingent upon perceived organizational treatment” (p.7). On the other hand, creditor ideology is a dispositional orientation to give something with greater value than to receive (Coyle-Shapiro & Neuman, 2004). In a sample of 500 public-sector employees surveyed in a three-year period, Coyle-Shapiro and Neuman (2004) found that creditor ideology was positively related to employee perceptions of their obligations and its fulfillment, whereas exchange ideology was negatively related to employee obligations and their fulfillment.

Regarding hostile attribution style, Chiu and Peng (2008) examined its moderating role in the relationship between breach and employees’ deviance. Hostile attribution style is a tendency to attribute deleterious results to external, stable, intentional and controllable causes (Douglas & Martinko, 2001). In a sample of 233 employees and their supervisors in electronic companies in Taiwan, Chiu and Peng (2008) found that the higher the hostile attribution style, the stronger the positive relationship between breach and employees’ deviant behaviors.

Finally, an employee with a traditional orientation is someone who accepts the unequal power distribution between him/her and the organization/supervisor (Hapern & Stern, 1998). Moreover, traditionality means high commitment, respect for, and acceptance of norms and rules (Schwartz, 1992). Therefore, Chen, Tsui, and Zhong

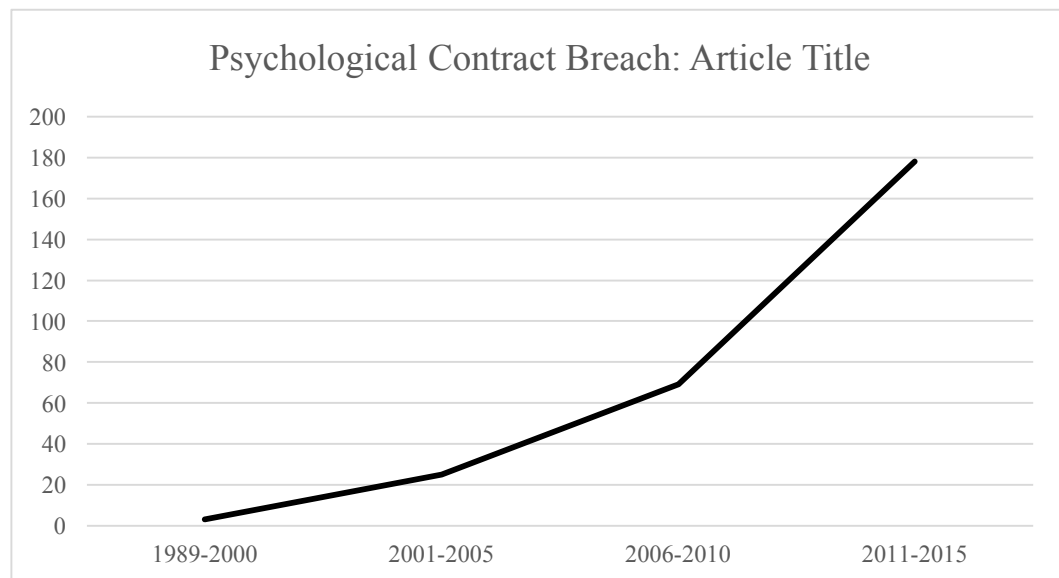
(2008) suggested that more traditional employees would not react so negatively to breach, and found support for their hypotheses.

Individual differences (both as predictors and moderators) may provide additional clarification on the boundary conditions of psychological contract breach reactions. However, as mentioned before, they did not receive much attention by researchers.



## Psychological Contract Breach: Remaining Questions

Researchers have been studying psychological contract breach for three decades. The number of studies on this topic is increasing as depicted in the graph below (Figure 3). As one can observe, since the seminal work by Rousseau (1989) there was a proliferation of studies, which is a clear indicator of the importance of the topic. While the number of studies on psychological contract breach is large, it is still possible to identify and address important research problems that may contribute to management practice.



**Figure 3-** Google Scholar Search: “Psychological contract breach” in the article title

Psychological contracts do not occur in a vacuum (Rousseau & McLean Parks, 1993).; therefore, it is relevant to understand how individuals make sense of the context and its implications for the psychological contract. It is widely assumed that “context matters”; however, it is frequently left aside in management research (George, 2004). The changing nature of the context (e.g., markets, economic crises) has consequences for the employment relationship (McLean Parks & Kidder, 1994;

Robinson & Rousseau, 1994) and it is known that crises lead to organizational restructuration, such as job cuts and even massive layoffs or business closure (Hartley, Jacobson, Klandermans, & Van Vuuren, 1991).

As previously mentioned, psychological contracts are a key facet of the employee-organization relationship that is severely conditioned by the context in which occurs (Coyle-Shapiro, 2002). This is even more important if one reflects on the current Portuguese social and economic context.

Since the beginning of the global crisis (2008), the Portuguese economic recession had a major impact on employment and industrial relations, namely job destruction and frozen wages (Pedroso, 2014); and on unemployment rates, which reached 16.5% in 2013 (OECD, 2015). The consequent turbulence and uncertainty reduced the organizations' ability to fulfill all the obligations, promises and expectations held by their employees (Robinson, 1996). Moreover, there is evidence about the relationship between unemployment rates and insecurity (Anderson & Pontusson, 2007; Erlighagen, 2008; Chung & Van Oorschot, 2010). These events can disrupt organizational life and prompt individuals to closely monitor their psychological contracts (McLean Parks & Kidder, 1994) as these changes influence employees' levels of insecurity and can signalize that the psychological contracts have been compromised (e.g., De Cuyper & De Witte, 2006). Applying these ideas, it is crucial to understand whether the insecurity associated with the changes in the environment may lead to perceptions of psychological contract breach.

Based on the aforementioned, we propose to examine **job insecurity as an antecedent of psychological contract breach** because, with the economic crisis and the new challenges it poses for companies, many employees feel insecure. These



feelings of insecurity should enhance the perception that their psychological contracts have been compromised (Study 1).

Research on psychological contract breach adopts SET and the norm of reciprocity as *the* explanation for the negative effects of breach (e.g., Robinson, 1996; Turnley & Feldman, 1999a). The norm of reciprocity assumes that one party's contributions are based on the other party's contributions (Coyle-Shapiro & Shore, 2007). Thus, researchers use the norm of reciprocity to explain the negative attitudinal and behavioral consequences of psychological contract breach (Shore & Tetrick, 1994). While we do not question the importance of reciprocity as an explanatory mechanism in the employment relationship, we are proposing a **different mechanism** through which breach impacts work related outcomes.

Research indicates that psychological contract breach can be particularly distressful for employees (Gakovic & Tetrick, 2003; Noblet & Rodwell, 2009). In addition, Lapointe et al. (2013) argue that breach can be “conceived as a stressor that alters the quality of employee-organization relationship and depletes individuals’ organization-related outcomes” (p.535). Aligned with these ideas, we suggest that psychological contract breach can be defined as a job demand/stressor and, drawing on the job demands-resources model of burnout (JD-R; Demerouti et al., 2001) and the conservation of resources theory (COR; Hobfoll, 1989, 2001), we examine the role of psychological contract breach as a stressor and its relationship with emotional exhaustion and performance (Study 2).

While considering both individuals and context is key for understanding a given phenomenon, **the role of individual differences** in reactions to breach remains

poorly understood (e.g., Conway & Briner, 2002; Coyle-Shapiro & Neuman, 2004; Turnley & Feldman, 1999). Therefore, as individuals do not act, react, and/or interact in the same way, a pertinent question emerged during the literature review: under what **conditions** individuals react more or less negatively to psychological contract breach? Our attempt to answer this question is focused on individuals as a competitive advantage for organizations, and therefore we propose that their individual differences, operationalized in terms strengths and resources are key to understand their reactions to breach (Study 1, 2 and 3).

Research on the negative consequences of breach is extensive, mainly on employees' attitudes and behaviors. In their meta-analysis, Zhao et al. (2007) calls for more studies using **different behavioral measures**. They examined three behaviors (i.e., OCB, in-role performance, and actual turnover) and the difference between the number of studies is large: while breach-OCB and breach-performance relationships had  $k=21$  and  $k=16$ , respectively; actual turnover as an outcome presented just 5 studies. Other useful note concerns the limited number of studies using negative outcomes, such as deviant behavior, neglect or exit. In addition, methodologically, the majority of **studies used cross-sectional designs and self-reported measures** (Zhao et al., 2007). Therefore, it is essential to assess different behavioral outcomes such as deviant behaviors and turnover, using different methodologies (Study 1 and 3).

Lastly, Zhao et al.'s (2007) meta-analysis is remarkable, counting with 51 studies and analyzing 8 work related constructs (i.e., violation, mistrust, job satisfaction, organizational commitment, turnover intentions, actual turnover, OCB, and in-role performance). Nonetheless, the number of studies has increased

enormously in the last 10 years (see Table 5), which makes a new summary of the available quantitative data necessary and relevant. In this **new meta-analysis**, one has to consider new constructs (e.g., health, POS, LMX, procedural justice) and new moderators that have appeared in the past decade (Study 4).

Notwithstanding the impressive number of studies about psychological contract breach reactions, **the role of culture** has also been disregarded (see Zagenczyk, Cruz, Cheung, Scott, Kiewitz, & Galloway, 2015 for an exception). Most of the research on psychological contracts has relied predominantly in Western samples (Lo & Aryee, 2003). However, the number of studies in non-Western contexts have multiplied in the last years and it is important to understand the differences between Western and Eastern cultures and its implications for our understanding of reactions to psychological breach (Rousseau & Schalk, 2000).

These aspects are some of the problems that need to be addressed and need additional enlightening. In the next chapters, we try to shed light on some of these questions.

Table 5 –Summary of PCB studies before and after 2007

Before 2007				After 2007			
	<i>k</i>	Studies (examples)	Countries (examples)	<i>k</i>	Studies (examples)	Countries (example)	
Violation <sup>a</sup>	11	Raja et al. (2004) Robinson & Morrison (2000)	USA, Pakistan (1), Ireland (1)	+ 23	Cassar & Briner (2011) Dulac et al. (2008) Retubog et al. (2012, 2013)	USA, Philippines (2), Malta (1), Turkey (1), Pakistan (1)	
Trust <sup>a</sup>	9	Chrobot-Mason (2003) Deery et al. (2006) Robinson & Morrison (2000)	USA, Australia	+ 11	Bal et al. (2010) Clinton & Guest (2014) Jafri (2012) Restubog et al. (2008)	USA (1), UK (1), Turkey (1), Pakistan (1), Canada (3), Philippines (1)	
Job Satisfaction <sup>a</sup>	28	Raja et al. (2004) Robinson & Rousseau (1994) Knights & Kennedy (2005)	USA, UK, Pakistan (1)	+ 21	Bal et al. (2013) Conway et al. (2011) Raja et al. (2011)	USA, UK, Netherlands (1), Pakistan (2), Mexico (1), Portugal (1)	
Affective Commitment <sup>a</sup>	20	Cheung & Chiu (2005) George (2003) Restubog et al. (2006)	USA, UK, Canada, Pakistan (1), China (1)	+ 34	Guerrero et al. (2014) Haggard (2012) Ng et al. (2010)	USA, Canada, UK, India (1) Pakistan (1), Mexico (1), Philippines (1), Taiwan (2)	
Turnover Intentions <sup>a</sup>	22	Cavanaugh & Noe (1999) Robinson et al. (1996, 1994) Sutton & Griffin (2004) Lo & Aryee (2003)	USA, UK, China (1), Pakistan (1)	+ 22	Chin et al. (2007) Lapointe et al. (2013) Orvis et al (2008) Paille & Dufour (2013)	USA, UK, Canada, Finland (1), Taiwan (3), Pakistan (2), Malaysia (1)	
OCB <sup>a</sup>	21	Coyle-Shapiro & Conway (2005) Conway & Briner (2002) Restubog et al. (2006)	USA, UK, Philippines (1)	+ 25	Conway et al. (2014) Restubog et al. (2009, 2010) Piccoli et al. (2015)	USA, UK, China (1), Philippines (2) Taiwan (2), Israel (1)	

<b>In-role Performance<sup>a</sup></b>	16	Lester et al. (2002) Restubog et al. (2006) Tekleab et al. (2005)	<b>USA, UK, Philippines (1)</b>	+ 11	Lee et al. (2014) Ng et al. (2010) Suazo (2009, 2011)	<b>USA, Philippines (2)</b> Netherlands (1), Pakistan (1)
<b>Actual Turnover<sup>a</sup></b>	5	Robinson (1996) Sturges et al. (2005)	<b>USA, UK</b>	+ 2	Clinton & Guest (2014) Karagonlar et al. (2015)	<b>UK, USA</b>
<b>Deviance</b>	2	Kickul (2001) Zottoli (2003)	<b>USA</b>	+ 16	Bordia et al. (2008) Chiu & Peng (2008) Restubog et al. (2007, 2013, 2012)	Philippines (3), USA (3), Taiwan, Pakistan, Macao, Italy, Australia
<b>Health</b>	4	Johnson & O'Leary-Kelley Gakovic & Tetrick (2003) Cantisano & Dominguez (2005)	<b>USA</b> Spain (2)	+ 9	Cantisano et al. (2007) Jamil et al. (2013) Parzefall & Hakanen (2010)	Belgium (2) Spain, Pakistan, Canada, Finland, Italy, Portugal
<b>EVLN</b>	1	Turnley & Feldman (1999)	<b>USA</b>	+ 3	Si et al. (2008) Zagenczyk et al. (2015) Pak (2007)	China (2), USA (1)
<b>Procedural Justice</b>	4	Kickul (2001) Turnley & Feldman (1999)	<b>USA</b>	+ 8	Cassar & Buttigieg (2015) Rosen et al. (2009) Sayers et al. (2011)	<b>USA, Malta (1), Israel (1), Italy (1)</b>
<b>LMX</b>	3	Cheung & Chiu (2005) Tekleab et al. (2005)	China (1), <b>USA</b>	+ 13	Henderson et al. (2008) Suazo (2011) Collins (2008)	<b>USA, Philippines (2), China (1), Belgium (1)</b>
<b>POS</b>	6	Coyle-Shapiro & Conway (2005) Gakovic & Tetrick (2003)	<b>UK, USA, China</b> Trindade e Tobago (1)	+ 13	Conway & Shapiro (2012) Zagenczyk et al. (2009) Guerrero & Herbach (2008)	<b>USA, France (1), Mexico (1), Turkey (1), Israel (1)</b>

Note. <sup>a</sup> also in Zhao et al.'s meta-analysis (does not include articles in Portuguese, Spanish or French). Country(ies) in bold represent the majority of studies.



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## PART II

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## INTRODUCTION

In this part, we shed light on some important questions about psychological contract breach. To each chapter corresponds a study with a different research question.

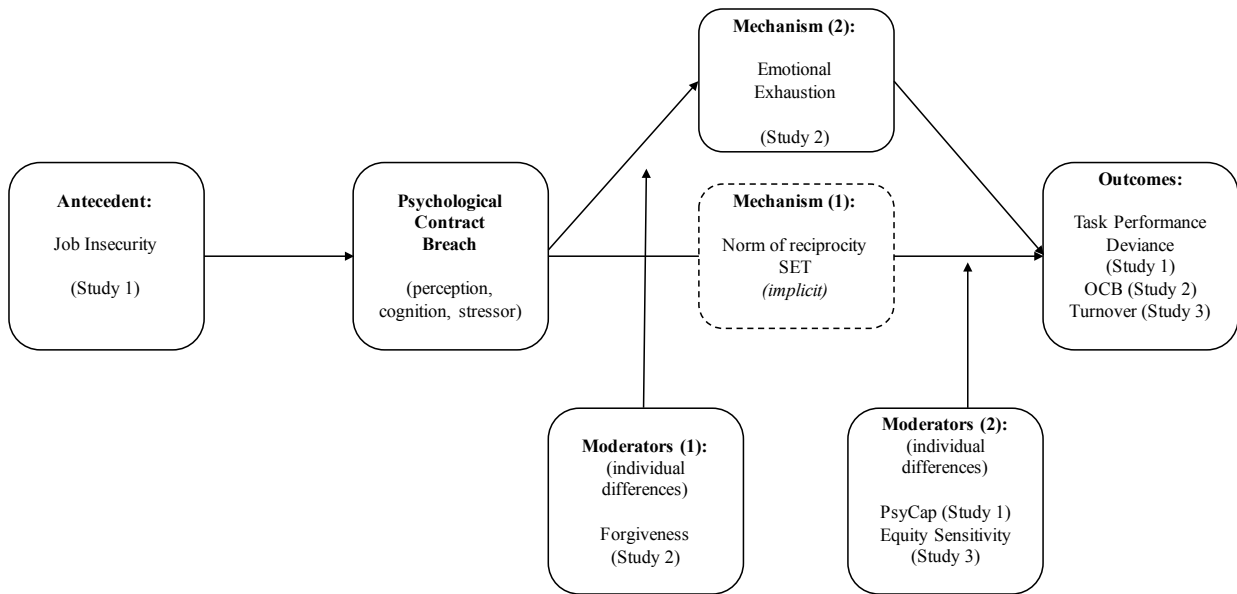
In study 1, with a sample of 362 employees from different organizational settings, an antecedent (job insecurity) of breach is examined. In addition, employees' individual strengths (i.e., positive psychological capital) are tested as moderators of breach-performance and breach-deviance relationships. We found support for our hypotheses.

In study 2, a cross-lagged survey data was collected from a public company. Two hundred and twenty employees fulfilled their surveys in time 1. Then, their supervisors rated their organizational citizenship behaviors (OCB) in time 2 (six weeks later). In this study, we assessed a complementary mechanism to social exchange theory and the norm of reciprocity: conservation of resources theory and job demands-resources model.

In study 3, a longitudinal survey data was collected from a private manufacturing company. Employees were asked to fill the survey at time 1. Then, we collected turnover records from time 1 to one year later. In addition, we examined equity sensitivity as a moderator of the breach-turnover relationship.

Study 4 is a meta-analytic review of psychological contract breach and 20 work-related constructs. Additionally, we examined the moderating role of culture and source ratings in those relationships.

**Figure 4 – Integrative model of the studies**



## CHAPTER II

### **STUDY 1: PSYCHOLOGICAL CONTRACT BREACH AS A PROCESS EXPLAINING THE IMPACT OF JOB INSECURITY ON WORK-RELATED OUTCOMES**

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#### **Abstract**

Job insecurity has received growing attention from researchers because it poses serious challenges for organizations and for society as a whole. However, there is a lack of studies about the processes through which job insecurity affects outcomes as well as potential ways to reduce its negative impact (Greenhalgh & Rosenblatt, 2010). This study focuses on the relationship between job insecurity and individual-level outcomes (in-role performance and organizational deviance) and examines if a) job insecurity is positively and/or negatively related to work outcomes; b) psychological contract breach acts as a mediator of the relationship between job insecurity and work outcomes, and c) positive psychological capital (PsyCap) buffers the job insecurity-work outcomes relationship via psychological contract breach. With a sample of 362 employee-supervisor dyads, in which the outcome measures were collected from the supervisors, we found support for our hypotheses. Specifically, we found a moderated mediation effect, whereby PsyCap moderates the negative indirect relationship of job insecurity on outcomes, through psychological contract breach.

**Keywords:** job insecurity, psychological contract breach, PsyCap, performance

## **Introduction**

Recently, job insecurity has received growing attention from researchers (Keim, Landis, Pierce, & Earnest, 2014), for different reasons. Firstly, there is an positive association between job insecurity and actual unemployment rates (Anderson & Pontusson, 2007; Erlinghagen, 2008; Chung & Van Oorschot, 2010). World unemployment rates hit a historic high of 26.6 million and this number is likely to increase in the next years (International Labor Office [ILO], 2014). Research shows that countries' economic and labor market situation affects the individual's perceptions of job insecurity and unemployment rates increase the apparent probability of losing one's job and diminish the chances of finding another (Anderson & Pontusson, 2007; Ellonen & Nätti, 2005; Erlinghagen, 2008; Chung & Van Oorschot, 2010). In these studies, job insecurity is seen as a subjective rather than objective phenomenon; therefore, individuals perceive the same insecure situation in different ways, which may change the magnitude of the relationship between unemployment rates and job insecurity.

Job insecurity is defined as an individual perception that refers to the "perceived powerlessness to maintain desired continuity in a threatened job situation" (Greenhalgh & Rosenblatt, 1984, p. 438). Job insecurity represents a workplace stressor and an indirect problem for organizations (Reisel, Probst, Chia, Maloles, & König, 2010) as it is an internal perception that affects employees' health, attitudes and behaviors (Cheng & Chang, 2008; Sverke et al., 2002) and organizational productivity (Greenhalgh & Rosenblatt, 1984).

Second, job security is one of two factors that have been consistently rated in the top five list of the most important issues for employees in the last 11 years

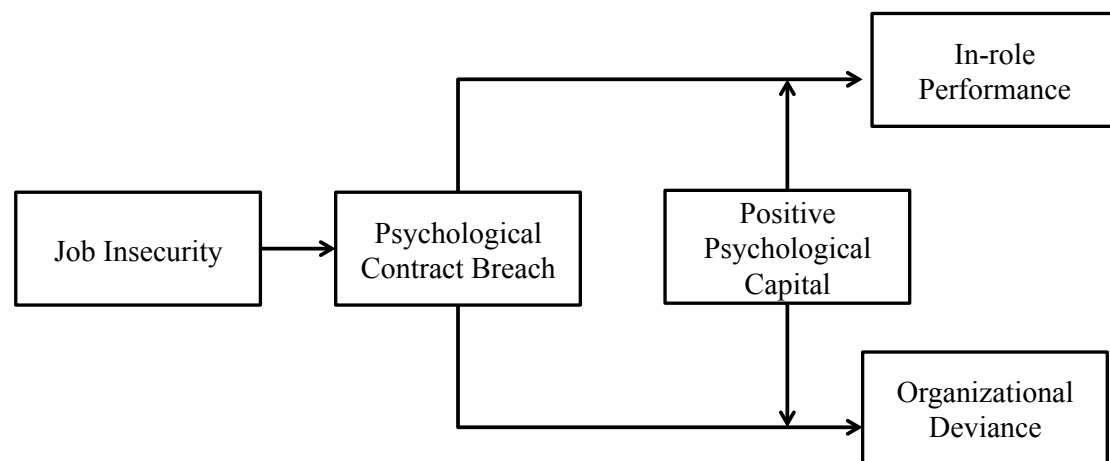
(Society for Human Resources Management [SHRM], 2014), however only 31% of employees state they are very satisfied with job security in their current job (SHRM, 2014). The global economic scenario is not getting significantly better and Eurozone gross domestic product (GDP) still has not gotten back to its pre-crisis values of 2007 (European Commission Eurostat, 2014). Moreover, evidence points to the saliency of job insecurity even after recessions are over (Auerbach & Gale, 2009). Job insecurity may also arise in the absence of contextual uncertainty. In this sense, many people experience it at some point in their career even when their job is not in fact at risk (Murphy et al., 2013), as there are additional factors that contribute to job insecurity, such as organizational messages and rumors (Greenhalgh & Rosenblatt, 1984).

In such conditions, organizations are putting in place strategies such as the general reduction of labor costs and massive layoffs, changing the nature of the traditional employments arrangements. Accordingly, it has been suggested that job insecurity indicates an undesirable change in employees' psychological contracts (De Cuyper & De Witte, 2006). Psychological contracts have been defined as individual beliefs regarding the mutual obligations that exist between employee and employer (Rousseau, 1995).

Based on the aforementioned arguments, we propose that, with the economic crisis and the new challenges it poses for companies, many employees feel insecure. These feelings of insecurity enhance the perception that their psychological contracts have been compromised. As mentioned previously, insecurity is one of the top five factors in the employment relationship (SHRM, 2014). The reasoning behind this idea is that the economic downturn enhances the feelings of job insecurity (Kang, Gold & Kim, 2012), which in turn leads to perceptions of lack of reciprocity (i.e., psychological contract breach; Piccoli & De Witte, 2015). We also put forth a

potential solution to minimize the negative consequences of job insecurity and psychological contract breach. Specifically, we suggest that the development of positive strengths in employees (i.e., positive psychological capital, PsyCap: Luthans, Avolio, Avey, & Norman, 2007) may act as a powerful buffer because it provides a set of tools that helps them to cope with insecurity and perceived contract breach.

Overall, our study offers a number of contributions to the existing literature. We answer the call for studies that examine the processes (i.e., psychological contract breach) through which job insecurity relates to work outcomes (e.g., performance; Greenhalgh & Rosenblatt, 1984, 2010). We also advance our knowledge of a potential safeguard (i.e., PsyCap) organizations can put in place to minimize the relationship between job insecurity, psychological contract breach and employees' behaviors. Our conceptual model is depicted in Figure 4.



**Figure 4 - Conceptual Model.** *In-role performance and organizational deviance were assessed from supervisors and the others constructs were assessed from subordinates.*

## **Job Insecurity and Work Outcomes**

Job insecurity is considered a work-related stressor since it involves the experience of threat and high levels of uncertainty with consequences for both individuals and organizations (e.g., De Witte, 1999). As a major workplace stressor, job insecurity leads to negative attitudes towards the organization, impaired health and well-being, and decreased performance (Cheng & Chang, 2008; Gilboa, Shirom, Fried, & Cooper, 2008). In this study, the focus is on behavioral reactions to job insecurity, such as individual job performance and deviant behaviors. The former refers to meeting the requirements of one's job (i.e., specific tasks) (Griffin, Neal, & Parker, 2007). The latter is defined as "voluntary behavior of organizational members that violate significant organizational norms, and in doing so, threaten the well-being of the organization and/or its members" (Bennett & Robinson, 2000, p.556), representing a distinct domain of performance.

A common theoretical framework for understanding the negative impact of job insecurity on performance and the positive impact on deviant behaviors is based on stress theory and research. Specifically, conservation of resources theory (COR, Hobfoll, 1989) claims that individuals experience strain when there is a threat of resource loss, an actual resource loss or a lack of resource gain after an investment. According to Hobfoll (1989), employment is a resource. Therefore, employees who experience job insecurity would feel a threat to their valued resource (job) and might withdraw from job tasks that further demand their resources (König, Debus, Häusler, Lendenmann, & Kleinmann, 2010). This withdraw can take different forms such as reduced performance or deviant behaviors (Lim, 1996). Besides, an insecure employee may become incapacitated by anxiety because he/she uses his/her resources

not only to perform tasks themselves but to deal with the threat situation (Greenhalgh & Rosenblatt, 1984; 2010), resulting in lower performance (Cheng et al., 2008; Scheurs et al., 2012). Moreover, research suggests that individuals who feel insecure about their jobs engage in deviant behaviors due to high levels of stress (Tian, Zhang, & Zou, 2014). The authors argued that this happens because insecure employees tend to blame the organization for the insecurity and take revenge upon the organization through deviant behaviors.

Another theoretical explanation for the negative relationship between job insecurity and work-related outcomes is based on the general motivation theories (Herzberg, Mausner, & Snyderman, 1959; Maslow, 1954). According to these theories, individuals need to feel secure in order to be motivated to work and achieve goals. Building upon this idea, Greenhalgh and Rosenblatt (1984) argue that security is a basic motivation for working and therefore job insecurity negatively impacts behaviors towards the work and the organization. Another motivation theory that helps to explain the negative impact of job insecurity is the self-determination theory (STD; Deci & Ryan, 2000). According to STD, contexts which satisfy the basic psychological needs of individuals allow the optimal functioning of those individuals. On the other hand, if the environment frustrates basic psychological needs, individuals are more likely to display undesirable behaviors. Research showed that job insecurity frustrated the basic needs of autonomy, competence and belongingness (Van den Broeck, Sulea, Elst, Fischmannm Iliescu, & De Witte, 2014). Specifically, the need for autonomy is frustrated when an individual works under a threatening situation; the need for competence is unsatisfied when an individual does not know how to change the insecure situation or is unable to do it (Van den Broeck et al., 2014); and, the need for belongingness is frustrated when the social identity is



threatened (Bies & Tripp, 1996). This frustration may trigger deviant behaviors targeted at the organization (Bies & Tripp, 1996; Van den Broeck et al., 2014).

Empirical evidence is consistent with this view of job insecurity. For instance, studies found a positive relationship between job insecurity and non-compliant or deviant behaviors (e.g., Chirumbolo, 2015) and a negative relationship with performance (e.g., Sverke et al., 2002). In addition, meta-analytic results show a moderate negative effect of job insecurity on performance outcomes (Gilboa et al., 2008).

Based on the arguments aforementioned, we propose that:

*Hypothesis 1:* Job insecurity is negatively related to performance (1a) and positively related to deviant behaviors (1b).

### **Psychological Contract Breach as a Mediator**

The relationship between job insecurity and work-related attitudes has been examined by several researchers (e.g., Cheng & Chan, 2008), however we still know little about how job insecurity affects the view employees have concerning their organization's ability to fulfill its promises. This is a key facet of the employee-organization relationship that is severely conditioned by the context in which occurs (Coyle-Shapiro, 2002). Psychological contracts are based on social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) and refer to mutual exchanges between employees and their organizations. When employees feel that the organization is not fulfilling the promises made to them, a breach can occur. Therefore, psychological contract breach refers to the employee's perception

concerning the degree to which the organization has failed to fulfill its promises or obligations (Robinson & Morrison, 1997). It is worth noticing that the psychological contract is frequently breached as it is subjective and idiosyncratic (Robinson & Rousseau, 1994), however if the organization is clear about its strategy, practices and policies it may be able to prevent the perceptions of breach of some employees.

There are several main reasons that explain the role played by psychological contracts as a mechanism that links job insecurity and employee outcomes. First, according to the uncertainty reduction theory, the primary goal of the interactions with the environment in general and with the organization in particular is to reduce the level of uncertainty (Berger & Calabrese, 1975); therefore, individuals naturally seek ways to reduce uncertainty. Thus, if the economic and social contexts yield job insecurity, employees will seek for explanations to and try to develop strategies to minimize such insecurity. As explained by uncertainty reduction theory axioms, the higher the level of uncertainty, the higher the rate of reciprocity. In insecure situations, one party tends to give (or return) in the same kind what was received in the first place from the other party. This symmetric exchange allows both parties to acknowledge what they will receive in the future; therefore, it is a way to increase the predictability to the situation. According to Berger and Calabrese (1975), a simple way to reduce uncertainty is “to ask and give in the same kinds of information at the same rate of exchange” (p.330).

Social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) are theoretical frameworks that explain the employee-organization relationship. Specifically, it may help to understand how employees evaluate reciprocity in a job insecurity context (Piccoli & De Witte, 2015). Employees who feel a threat of job loss tend to calculate the ratio between what they give and what they receive from the

organization. In doing so, they assess the quality of the employment relationship (Morrison & Robinson, 1997). Then, as reciprocity is the basis of social exchanges, employees will act according to their evaluation. It is important to notice that the norm of reciprocity is positive in its nature (i.e., people return favors and other acts of kindness), but it also has a negative side (i.e., “sentiments of retaliation where the emphasis is placed not on the return of benefits but on the return of injuries”; Gouldner, 1960, p.172).

Third, the majority of the workforce, both permanent and temporary, still expects security in their jobs (De Cuyper & De Witte, 2007; Piccoli & De Witte, 2015). Research shows that job insecurity is related to both relational and transactional psychological contracts, which are characteristic of permanent and temporary workers, respectively (De Cuyper & De Witte, 2007). Moreover, in European countries in particular, psychological contracts are still based on long-term, open-ended permanent contracts, reinforcing security as a key determinant. In these countries, unions themselves reinforce the message that job security is a signal of good human resource practices and management (Sverke & Hellgren, 2002), strengthening its value for employees. In this sense, job insecurity signal to employees that the organization does not value their effort and that it is not focused on maintaining a long-term relationship with them, thus being accompanied by a significant increase in the perception of psychological contract breach.

The relationship between job insecurity, psychological contract breach and performance and deviant behaviors is of particular interest, due to the implications it carries for organizational functioning. Several studies have shown that psychological contract breach is negatively related to employees’ performance, suggesting that employees reciprocate such perceptions by reducing the amount of effort put forth on

their daily work activities (Robinson, 1996). However, one may also decide to actively harm (and not only reduce effort on its behalf) the organization that is perceived to have failed in its relationship with the individual (Chiu & Peng, 2008), by unfulfilling its obligations or breaking a promise. Another strategy to restore balance in the relationship is the display of negative actions, such as deviant behaviors. For instance, Chiu and Peng (2008) found that employees who perceive psychological contract breach are more likely to perform deviant behaviors against the organization. Therefore, we suggest that:

*Hypothesis 2:* Psychological contract breach mediates the negative relationship of job insecurity and performance (2a) and the positive relationship between job insecurity and deviant behaviors (2b).

### **The Moderating Role of Positive Psychological Capital**

In order to minimize the negative impact of job insecurity and psychological contract breach, we propose that those employees' positive internal resources may help them cope with this situation. Positive psychological capital, or simply PsyCap, is an individual's positive psychological state that is open to development (Luthans et al., 2008). It presents four facets which are defined as follows. Self-efficacy is an individual's conviction (or confidence) about his or her capabilities to mobilize what is needed (motivation, cognitive resources, courses of action) to perform a specific task (Stajkovic & Luthans, 1998). Optimism is defined as the positive attributional style an individual uses to explain events (Seligman, 1998). Hope is defined as a positive motivational state characterized by a sense of successful agency (goal

directed agency) and pathways (planning to attain goals) (Snyder, Irving, & Anderson, 1991). Finally, resilience is the individual ability to bounce back or rebound when faced with failure or success (Luthans, 2002). PsyCap is a second-order factor comprised of the shared variance between the four positive resources, integrating the mechanisms that these resources have in common (Avey, Reichard, Luthans, & Mhatre, 2011). PsyCap entails the four components, but has a larger positive effect than the effect of each component individually (Norman, Avey, Ninmicht & Pigeon, 2010). This conceptualization has been theoretically and empirically validated, presenting PsyCap as a higher-level construct that represents the commonality among the four components (Luthans et al., 2007; Luthans, Avolio, Avey, & Norman, 2007).

PsyCap has been consistently related to performance (e.g., Luthans, Avey, Smith, & Li, 2008), regardless of the performance measure used (Avey et al., 2011) because employees who have higher PsyCap tend to be more energized and put additional effort in tasks, which is reflected in higher performance (Avey et al., 2011). PsyCap is also open to development with training sessions (Luthans et al., 2008) making it more attractive for managers and organizations than personality traits because these are stable (Terracciano, McCrae & Costa, 2010) and, for that reason, harder to change or develop. This is especially relevant when these internal capacities have proven to be open to development through training and also have shown a high return on investment (Luthans et al., 2007). In addition, it is more realistic to help employees develop and maintain their PsyCap than to try to change organizational practices and policies during times of high volatility and when the resources available are scarce and short term performance is a key driver. It is also relevant to notice that

PsyCap is important to how employees interpret resource constraints and use of the resources available (Chadwick & Raver, 2013).

PsyCap's key facets should provide employees with additional internal resources to deal with the uncertainty stemming out of increased job insecurity and perceptions of psychological contract breach. Therefore, we suggest that employees with higher PsyCap are more confident in their ability to achieve goals, can create different paths / solutions to daily problems, are optimistic about the future and face adversities and cope positively with problems. We expect employees who are high in PsyCap and perceive a psychological contract breach due to increased job insecurity to react differently than employees who are low in PsyCap, because they have a number of features that helps them to deal with these situations. According to Luthans and Youssef (2007), employees who are high in PsyCap are more confident in their ability to achieve goals and, for that reason a psychological contract breach can be seen as a challenge or a minor obstacle in the pursuit of their main goal. These employees are hopeful; hence they are able to create different paths and solutions in order to deal with job insecurity and breaches of psychological contract. They also evaluate the situation as a temporary problem that will soon be reduced, showing that they are hopeful and optimistic. Finally, due to their resilience they are able to face adversities and cope positively with job insecurity and psychological contract breach.

There is limited empirical evidence on the relationship between PsyCap and undesirable attitudes and behaviors (Luthans & Youssef, 2007; Norman et al., 2010). Norman et al.'s (2010) study is an exception. They found that employees who were low in PsyCap engage in counterproductive behaviors, also referred as deviance. Therefore, we also aim to test whether PsyCap will prevent employees' deviant

behaviors in response to job insecurity and psychological contract breach because they have internal resources to deal with it.

On the basis of these arguments, we hypothesize the moderation of the direct relationship between psychological contract breach and outcomes as well as the mediated relationship between job insecurity and outcomes:

*Hypothesis 3a:* PsyCap moderates the negative relationship between psychological contract breach and performance, such that the negative relationship between breach and performance is stronger when PsyCap is low.

*Hypothesis 3b:* PsyCap moderates the positive relationship between psychological contract breach and organizational deviance, such that the positive relationship between breach and organizational deviance is stronger when PsyCap is low.

*Hypothesis 4a:* PsyCap moderates the negative relationship between job insecurity and performance via psychological contract breach, such that the indirect relationship between job insecurity and performance through breach is stronger when PsyCap is low.

*Hypothesis 4b:* PsyCap moderates the positive relationship between job insecurity and organizational deviance via psychological contract breach, such that the indirect relationship between job insecurity and organizational deviance through breach is stronger when PsyCap is low.

## **Method**

### **Sample and Procedure**

We contacted several organizations in Portugal, where the organizations largely suffered the impact of the economic crisis. We asked their representatives for permission to collect data. We collected at least 2 employee-supervisor dyads from each organization. The paper-based surveys were provided only if both employee and supervisor were willing to participate. We handed out 441 surveys in 46 private companies. The surveys were handed out personally to each participant, which helps explain the high response rate (82.3%). The sample was reduced to 362 employees due to deletion of participants who did not complete the survey. One hundred and thirty-five supervisors provided evaluations for these employees.

The organizations that agreed to participate were from different areas, such as retail (7.7%), banking (11%), health care (21.4%), restaurants (15.7%), construction (8%), information technology (10.7%), hygiene and cleaning (18.2%), and tourism (7.2%). The crisis has hit all sectors and employees similarly (both permanent and temporary workers; Pedroso, 2014). Empirically, the data show no differences between industries in terms of job insecurity ( $F(9, 348)=1.25, p>.05$ ). The number of dyads per company was approximately 8 (minimum 3 and maximum 40). The overall average number of rating per supervisor was 3, with a minimum of 1 and maximum of 14. We did not find any differences in our outcome variables between those supervisors who only rated one employee and those who rated more than one employee (in-role performance,  $F(1, 360) = 2.37, p > .05$ ; organizational deviance,  $F(1,360)= .01, p> .05$ ). Additionally, we did not find any differences regarding the company (in-role performance,  $F(44,317) = .00, p>.05$ ; organizational deviance,  $F(44,317)= .00, p>.05$ ) or industry (in-role performance  $F(9,352)= .00 p>.05$ ; organizational deviance,  $F(9,352)= .00 p>.05$ ).



Fifty-three percent of participants were female and the average age was 35 years (ranged from 19 to 62). The average organizational tenure was 8 years and the education level was as follows: primary education (6.9%), basic education (11%), high school degree (41.2%), and college degree (40.9%). Concerning supervisors, 55.6% were male. The average age was 44 years (ranged from 20 to 75). The average tenure was 14 years and the education level was as follows: primary education (8.1%), basic education (22%), high school degree (23.2%), and university degree (54.8%).

## **Measures**

For all but the control variables, participants rated their agreement with each statement using a 5-point Likert scale (1=strongly disagree, 5= strongly agree).

*Control variables.* We controlled for two subordinate demographic variables that have been related to our outcome variables in past research (Näswall & De Witte, 2003; Sverke & Hellgren, 2002): employee age (in years) and education (categories).

*Job insecurity.* To measure job insecurity, we used six items from Oldham, Kulic, Stepina, and Ambrose's (1986) scale, three of which were reverse coded. This is a reduced form of the survey, using the items with the highest loadings in Kraimer, Wayne, Liden, and Sparrowe's (2005) study. A sample item from this scale is: "My job is not a secure one". Cronbach's alpha was .85.

*Psychological contract breach.* To assess employees' perceptions of psychological contract breach, we used the 5-item scale developed by Robinson and Morrison (2000), three of which were reverse coded. An example item from this scale is: "I have not received everything promised to me in exchange for my contributions. Cronbach's alpha was .88.

*Positive psychological capital.* We measured PsyCap with a reduced version (12 items) of the Luthans, Youssef and Avolio (2007) PsyCap Questionnaire (PCQ). This 12-item PCQ included 3 items for efficacy, 4 items for hope, 2 items for optimism, and 3 items for resilience. Sample items are as follows: efficacy – “I feel confident presenting information to a group of colleagues”; hope – “Right now I see myself as being pretty successful at work”; resilience – “I usually take stressful things at work in stride”; optimism – “I’m optimistic about what will happen to me in the future as it pertains to work”. Cronbach’s alpha was .81. The PCQ-12 is comprised of multiple facets and it had acceptable reliability and support for construct validity (Luthans, Avolio et al., 2007; Luthans et al., 2008). Nonetheless, we ran a confirmatory factorial analysis (CFA) considering PsyCap as a second order factor. Overall, the results supported that the four PsyCap components represent an underlying latent core construct of overall PsyCap ( $\chi^2(50) = 110.63, p < .001$ ; CFI = .94; GFI = .95; RMSEA = .05; SRMR = .05), which is aligned with previous research.

*In-role performance.* To measure in-role performance, we asked supervisors to rate their employees using Williams and Anderson’s (1991) five in-role performance items, one of which was reverse coded. A sample item from this scale is: “This employee performs tasks that are expected of him/her”. Cronbach’s alpha was .86.

*Organizational deviance.* To assess organizational deviance, we requested supervisors to evaluate their employees using five items adapted from Aquino, Lewis and Bradfield (1999) and Robinson and Bennett’s (1995) scales. Sample item is as follow: “This employee covers up his/her mistakes”. Cronbach’s alpha was .71.

## Results

Means, standard deviations, correlations, and scale reliabilities are presented in Table

1. Reliabilities for all scales were acceptable, ranging from .71 to .88.

**Table 6 - Descriptive statistics, correlations, and Cronbach's alphas<sup>a b</sup>**

Variable	M	SD	1	2	3	4	5	6	7
1.JI	2.99	.80	(.85)						
2.PCB	2.41	.92	.32**	(.88)					
3.PsyCap	3.81	.54	-.24**	-.25**	(.81)				
4.IRP	4.16	.70	.00	-.18**	.37**	(.86)			
5. Org. Deviance	1.76	.71	.00	-.14**	-.25**	-.60**	(.71)		
6.Education	3.43	1.17	.00	-.08	-.07	-.24**	-.40**	--	
7.Age	43.99	10.2	-.02	.10	.02	-.018	.14**	--	--

*Note:* Cronbach's alphas are provided in parentheses on the diagonal. JI = Job Insecurity; PCB = Psychological Contract Breach; PsyCap = Positive Psychological Capital. IRP = In-role performance.

<sup>a</sup>. 5-point scales <sup>b</sup>. Cronbach's alphas appear in parentheses along the main diagonal. \*\* p<.01; \*p<.05

Because participants were employed in 46 different organizations and grouped by supervisors, we assessed intraclass correlations (ICCs) for all variables to observe the proportion of group-level variance (Bliese, 2000). ICC (1) and ICC (2) are used to assess whether aggregation to the group level is appropriate. Large ICC (1) values indicate dependence in the data structure, whereas high ICC (2) suggest reliable between-group differences (Bliese, 2000). Results for ICC (1) show that organizational (job insecurity = .03; psychological contract breach= .01; PsyCap =.16; in-role performance= .23; organizational deviance=.21) and supervisor (in-role

performance = .01; organizational deviance= .29) membership explains a fair amount of variance in some variables, however none of these values is particularly large (poor ICC values are less than .40; Cicchetti, 1994). Moreover, ICC (2) is too low to support aggregation by organization (e.g., ICC2 for job insecurity= .39; ICC2 for breach= .15) or by supervisor (e.g., ICC2 for in-role performance = .27). Consequently, we analyzed our hypotheses with the raw data (Hox, 2002).

**Table 7 - Results of ICC(1) and ICC(2) for Organizational Membership**

	ICC(1)	ICC(2)
1. Job Insecurity	.03	.39
2. PCB	.01	.15
3. PsyCap	.16	.88
4. In-role Performance	.23	.92
5. Organizational Deviance	.21	.91

*Note:* ICC = Intraclass correlations; PCB = Psychological Contract Breach; PsyCap = Positive Psychological Capital

## Measurement Model

We conducted confirmatory factor analysis (CFA) with maximum likelihood estimation to examine the distinctness of the variables in our model, using AMOS 20. The measurement model contained five factors: job insecurity, psychological contract breach, PsyCap, organizational deviance and in-role performance. We compared the five-factor model against a series of nested models: a four-factor model where we combined organizational deviance and performance as they presented the highest correlation and were both collected from supervisors; a two-factor model, where we separated all items collected from employees (i.e., job insecurity, PsyCap, psychological contract breach) from those indicated by supervisors (i.e.,

organizational deviance and in-role behaviors); and a one-factor model where we combined all items into a single factor.

**Table 8** - Confirmatory Factorial Analyses (CFA) fit indexes for all measurement models

Models	$\chi^2$	df	$\Delta \chi^2$	CFI	RMSEA	SRMR
Five-factor model (Proposed Model)	660.68	264		.91	.06	.07
Four-factor model <sup>a</sup>	823.76	268	163.08*	.86	.08	.07
Two-factor model <sup>b</sup>	1588.69	273	764.93*	.62	.12	.12
One-factor model	2642.98	274	1054.29*	.36	.16	.17
Unmeasured latent factor	468.05	239	192.63*	.95	.05	.05

Note: \*  $p < 0.01$

<sup>a</sup> Equating organizational deviance and in-role performance

<sup>b</sup> Equating organizational deviance and in-role performance; and, job insecurity, psychological contract breach and PsyCap.

The five-factor model presented a good fit ( $\chi^2(264) = 660.68$ ; CFI = .91; RMSEA = .06; SMRM = .07) and had a significantly better fit than the less constrained models (Table 2). Factor loadings from the proposed model were all acceptable, ranging between .55 and .85 for job insecurity, .67 and .86 for psychological contract breach, .50 and .78 for PsyCap, .60 and .86 for in-role behaviors, and .40 and .78 for organizational deviance. Moreover, following the recommendation put forth by Podsakoff and colleagues (2012) to test the presence of common method variance (CMV), we included a latent variable in CFA, a common method factor, and loaded all indicators on this uncorrelated factor (Podsakoff et al., 2012). The fit slightly improved, which is expected (Williams, Cote, & Buckely, 1989;  $\chi^2(239) = 468.05^{**}$ ; CFI = .95; RMSEA = .05; SRMR = .05). According to

Williams et al. (1989), the CMV impact is examined by the total variance of the unrelated method factor, which should be below 25%. In our data, CMV accounted for 6.92% of total variance. Thus, these analyses suggest that CMV accounts for little variation in the data.

### **Tests of hypotheses**

All hypotheses were tested using our final sample (N=362). Our analytic approach was as follows. First, to examine hypothesis 1, we conducted a simple regression analysis with X (job insecurity) predicting Y (outcomes: performance and organizational deviance), controlling for age and education. Second, to examine hypothesis 2, we ran bootstrapping analysis to assess mediation because the primary effect of interest is an indirect effect (i.e., X predicts Y via M; Preacher, Rucker, & Hayes, 2007). Bootstrap tests are non-parametric simulations and a straightforward and robust strategy to estimate indirect effects, both for mediation and moderation models (Preacher et al., 2007; Shrout & Bolger, 2002). It is a better choice than the Sobel test because the standard error estimate in an indirect effect test usually does not follow a normal distribution and provides a biased *p*-value (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002). Thus, we tested the mediation model using the SPSS macro, PROCESS (Hayes 2012), model 4, which gives the direct and indirect effects of mediation analysis. Third, to assess the conditional effects and conditional indirect effects (Edwards & Lambert, 2007) (hypotheses 3 and 4), we ran PROCESS model 14, which represents the full moderated-mediation model. Additionally, we followed the moderation analysis procedure recommended by West and Aiken (1991) and centered both predictors. According to Preacher et al. (2007), a

conditional indirect effect is demonstrated when the strength of the predictor (i.e., X – job insecurity) on the criterion (i.e., Y – performance and organizational deviance) via mediator (i.e., M – breach) differs across high and low levels of the moderator (PsyCap; one standard deviation above and below the mean, respectively). The bootstrap tests on conditional indirect effects allow to verify the null hypothesis of no indirect effect for high/low values of the moderator (through confidence intervals) and the size of these effects.

Concerning the hypotheses 1a and 1b, which stated that job insecurity should be negatively related to performance and positively related to organizational deviance, results from the simple linear regression showed no significant direct relationship between job insecurity and performance or deviance ( $B = -.02$ ,  $p > .05$ ;  $B = .00$ ,  $p > .05$ , respectively). According to MacKinnon, Fairchild, and Fritz (2007), having a significant relationship between X and Y is no requirement to proceed with mediation analysis. Hypothesis 2a and 2b referred to the mediating role of psychological contract breach in the relationship between job insecurity and performance and organizational deviance. As predicted, we found that job insecurity was positively related to psychological contract breach ( $B = .40$ ,  $p < .01$ ), which in turn impacted both in-role performance and organizational deviance ( $B = -.12$ ,  $p < .01$ ;  $B = .07$ ,  $p < .10$ , respectively). Moreover, the indirect relationship between job insecurity and performance was significant ( $B = -.05$ ,  $p < .05$ ) and the indirect relationship between job insecurity and organizational deviance was marginally significant ( $B = -.03$ ,  $p < .10$ ). These results supported our mediation hypothesis.

**Table 9- Bootstrapping Analysis Results**

Predictors	Mediator				Outcomes							
	Psychological Contract Breach				In-role Performance				Organizational Deviance			
	95% CI				95% CI				95% CI			
	B	T	LL	UL	B	T	LL	UL	B	T	LL	UL
<b>Control Variables</b>												
Age	.00	1.04	.00	.01	.00	-.59	-.01	.01	.01	2.09	.00	.01
Education	-.02	-.47	-.11	.07	.08	2.43	.02	.14	-.08	-.61	-.14	-.02
<b>Main Effects</b>												
Job Insecurity	.39	6.70	.28	.51	.12	2.51	.03	.21	-.10	-2.35	-.18	-.02
Psychological Contract Breach					-.07	-1.66	-.15	.01	.08	2.30	.01	.16
<b>Interaction Term</b>												
Psychological Contract Breach X PsyCap					.19	2.61	.05	.33	-.13	-2.10	-.26	-.01
<b>R<sup>2</sup></b>			.12				.18				.13	
			(F= 15.41, p < .01)				(F= 12.04, p < .01)				(F= 8.64, p < .01)	
<b>Conditional Indirect Effects</b>												
Low PsyCap					-.07				.07			

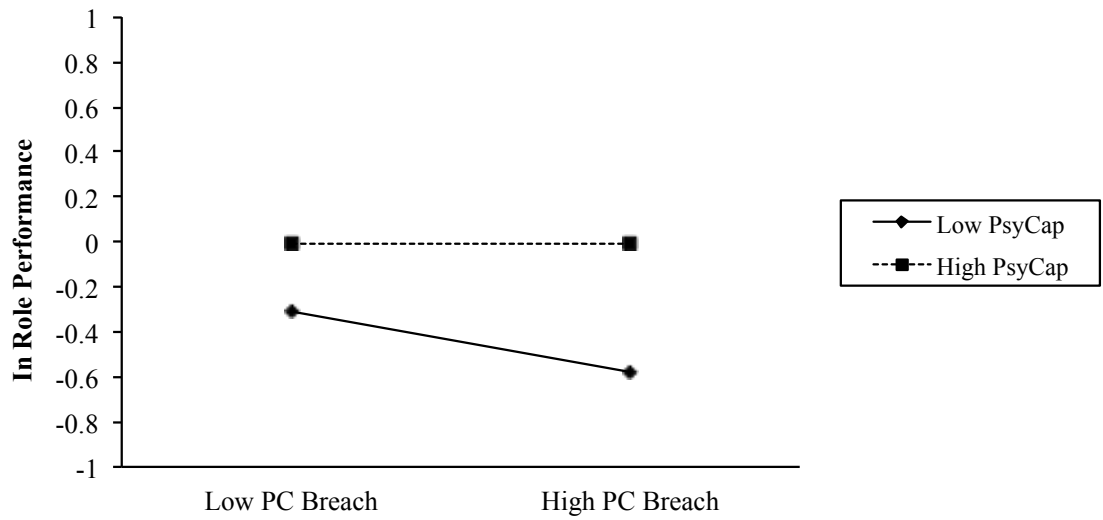
Hypotheses 3a and 3b suggested that PsyCap moderates the relationship between psychological contract breach and performance and deviance. We found an interaction effect on both in-role performance ( $B = .17, p < .01$ ) and organizational deviance ( $B = -.22, p < .01$ ). We plotted the simple slopes for each interaction effect using the procedure outlined by Cohen, Cohen, West and Aiken (2003) at two levels of the moderator: high (+1 standard deviation) and low (-1 standard deviation). The negative relationship between psychological contract breach and in-role performance was significant when PsyCap was low ( $B = -.15; t = -3.27, p < .05$ ), but not when it was high ( $B = .01; t = -0.20, p > .05$ ). Results were similar for organizational deviance. The relationship between psychological contract breach and organizational deviance was



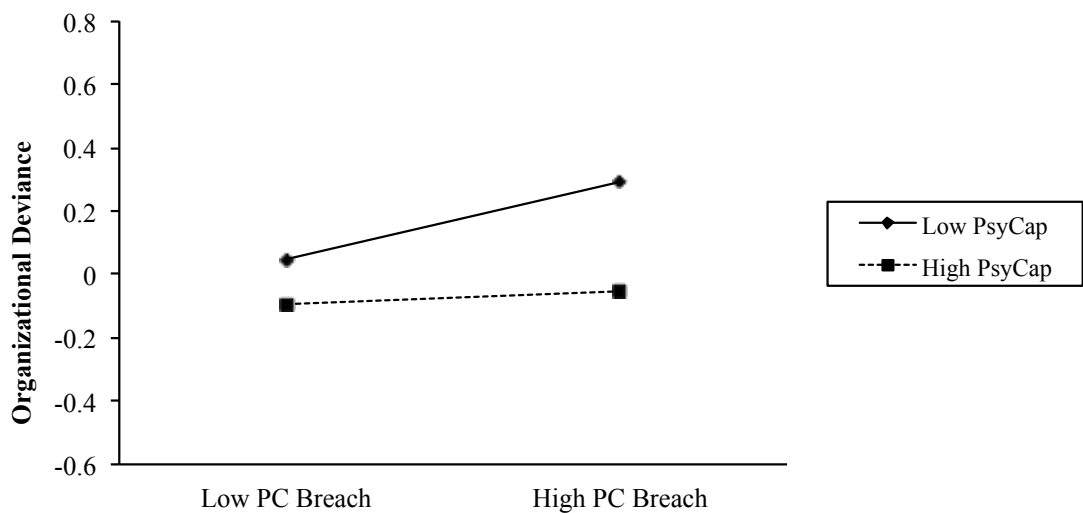
significant when PsyCap was low ( $B=.18$ ;  $t=3.40$ ,  $p<.05$ ), but not when it was high ( $B=-.05$ ;  $t=-0.59$ ,  $p>.05$ ). As expected, the slopes were significantly different from each other for both in-role performance and organizational deviance ( $t=1.98$ ,  $p<.05$ ;  $t=-2.70$ ,  $p<.05$ , respectively). Figure 2 graphically depicts the interaction results.

Hypotheses 4a and 4b proposed that PsyCap moderates the relationship between job insecurity and in-role performance (4a) and organizational deviance (4b) via psychological contract breach. Therefore, we examined the conditional indirect relationship between job insecurity and in-role performance and organizational deviance through psychological contract breach at two levels of PsyCap: high (one standard deviation above the mean), and low (one standard deviation below the mean). The results indicated that the negative indirect relationship between job insecurity and in-role performance through psychological contract breach was significant when PsyCap levels were low ( $B=-.06$ ,  $p<.05$ ), but not when they were high ( $B=.01$ ,  $p>.05$ ). For organizational deviance, the results were similar: the positive relationship between job insecurity and organizational deviance through psychological contract breach was significant when PsyCap levels were low ( $B=.06$ ,  $p<.05$ ), but not when they were high ( $B=.01$ ,  $p>.05$ ).

Figure 3 depicts the conditional indirect relationships, that is, bootstrap mean estimates and the 95% confidence interval of job insecurity's indirect relationship with in-role performance and deviance across a range of PsyCap (i.e., moderator). The negative indirect relationship between job insecurity and in-role performance was significant for lower levels rather than high levels of PsyCap. For organizational deviance, the result was similar. Therefore, the positive indirect relationship between job insecurity and organizational deviance was significant for low levels of PsyCap but not for high levels. These results supported hypotheses 4a and 4b (Table 3).



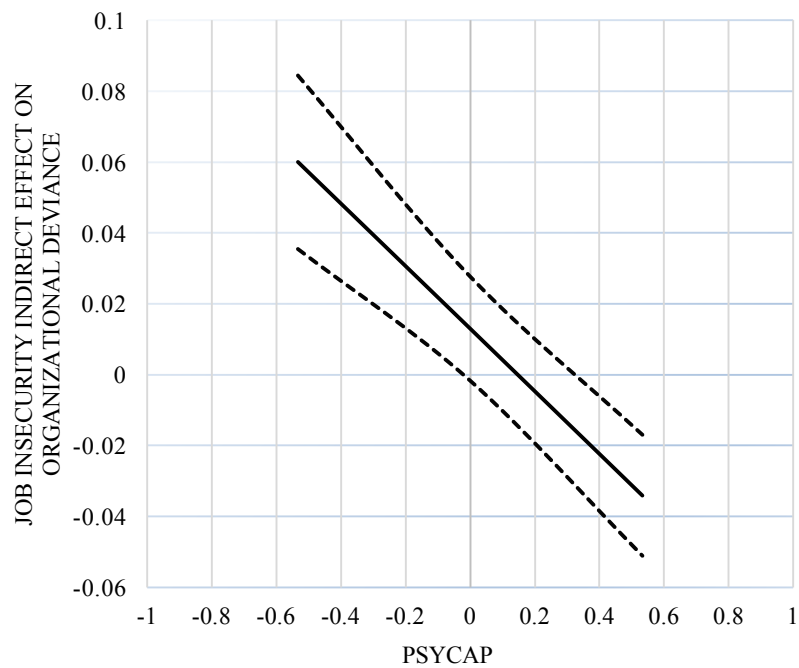
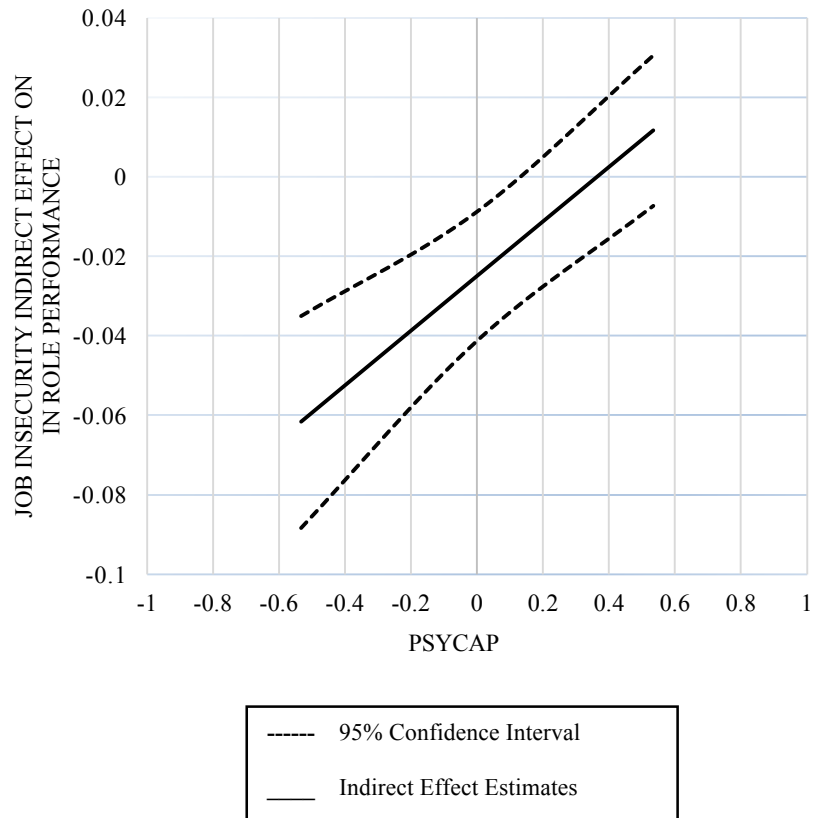
**Figure 5-** Interactive effects of psychological contract breach and PsyCap on in-role performance



**Figure 6 -** Interactive effects of psychological contract breach and PsyCap on organizational deviance

The test of the moderated-mediation model indicated that the regression coefficient of job insecurity and performance became statistically significant, but positive. Such case represents a suppression effect, that is, when the direct and mediated effects of an independent variable (i.e., job insecurity) on a dependent variable (i.e., performance) have opposite signs (MacKinnon et al., 2000). Due to opposite signs and effects, the bivariate correlation can be small or even zero

(MacKinnon et al., 2000). It is also worth mentioning that the same positive parallel direct effect and negative mediated effect of job insecurity on performance was found in past research (Staufenbiel & König, 2010), demonstrating some consistency in this pattern of relationship between job insecurity and performance.



**Figure 7 -** Bootstrapping indirect effect estimates of job insecurity on performance and organizational deviance across different values of PsyCap. The straight line shows the average indirect effect estimates and the dashed lines show the upper and lower 95% confidence intervals

## **Discussion**

Research about the processes and conditions through which job insecurity affects individual outcomes is still sparse and inconsistent. The lack of studies on possible intervening variables has been raised as an explanation for the inconsistencies found in the previous studies (Greenhalgh & Rosenblatt, 1984, 2010). Therefore, the aim of our study was to examine the relationship between job insecurity, psychological contract breach, in-role performance and organizational deviance. Additionally, we proposed PsyCap as effective tool to reduce the negative impact of psychological contract breach on the outcomes.

## **Theoretical Implications**

Our study contributes to the literature on job insecurity and psychological contract breach in a number of ways. First, our study addressed a major gap in the literature concerning the processes that help explain the relationship between job insecurity and individual-level outcomes (Greenhalgh & Rosenblatt, 1984, 2010), by advancing psychological contract breach as a possible mediator. This process is not only explained by the social exchange theory and the norm of reciprocity, but also by the uncertainty reduction theory. The former refers that when an individual feels a breach in their psychological contract, he/she will reciprocate accordingly. Using insights from uncertainty reduction theory, in insecure situations, the levels of reciprocity are high because symmetric exchanges help to provide more predictability to the relationship (Berger & Calabrese, 1975).

Second, our study sheds light on the findings concerning the relationship between job insecurity and work related outcomes. The positive direct effect on performance may be surprising to a certain extent. However, our pattern of results is aligned with Staufienbiel and König's (2010) results, in which they found a positive direct relationship between job insecurity and several outcomes and a negative indirect relationship through job attitudes. In theirs and our own study, the results showed a suppression effect (MacKinnon et al., 2000). They concluded that an "either-or" approach regarding job insecurity is not appropriate" (p.111). One possible explanation is that job insecurity can motivate employees to work harder in order to improve their likelihood of staying in the organization and feel that insecurity breaches their psychological contracts at same time.

Finally, our study also provides evidence that there are resources available (i.e., PsyCap) that help employees deal in a more positive with job insecurity and psychological contract breach. We found that employees who are low in PsyCap tend to demonstrate higher levels of deviance and lower in-role performance as a response to increases in job insecurity and psychological contract breach than those who are high in PsyCap because they are more comfortable with their present situation and better able to overcome daily problems. Moreover, higher levels of PsyCap are related to less perceived breach, which may be explained by the impact of PsyCap has on how individuals interpret situations (Chadwich & Raver, 2013).

### **Managerial Implications**

A number of suggestions for managers also emerge from our results. For instance, knowing that feelings of job insecurity can trigger employees' evaluation of

the fulfillment of their contract and, consequently, lead to perceptions of psychological contract breach, managers can take actions to prevent or alleviate this situation, such as take care of what they promise and be honest about the current state of affairs in the organization.

Managers might believe that promoting job insecurity motivates employees (because of the positive direct effect on performance). However, the consequent stress and negative work attitudes may harm the organization's performance. For instance, in the short-term it may work as a positive factor but in the long-run it may impair employees' health and attitudes towards work. Moreover, managers should be aware that insecurity influences psychological contract breach, which decreases performance and increases deviant behaviors. Therefore, they should avoid fostering insecurity as a source of additional motivation.

In a context of uncertainty, high unemployment, and economic downturn, employees are a key source of competitive advantage for organizations. This study shows that in such a scenario, employees with low PsyCap tend to act against the organization by reducing performance and increasing deviant behaviors, while those with high PsyCap do not. Hence, managers should also invest in the development of their employees' PsyCap. Luthans et al. (2008) demonstrated that PsyCap could be developed through highly focused micro-interventions and very short training sessions. In these sessions, one can develop his/her positive capacities. For hope, the training is focused on goal and pathway design and implementation of obstacle planning. Regarding realistic optimism, the authors focused on the importance of building confidence and developing positive expectancies. Concerning confidence, the important points are to develop persuasion and arousal and help participants to experience success. Finally, to develop resilience it is crucial to build assets (e.g.,

becoming more employable), proactively avoid risks and understand the influence process. In addition, individuals with high levels of PsyCap tend to stay in the organization and not search for other jobs (Avey, Luthans, & Jensen, 2009), which is key for organization facing times of crisis.

## **Limitations and Future Research**

When interpreting our results, there are some limitations one should keep in mind. First, this research relies on cross-sectional data and therefore we advise caution with any inferences of causality. Thus, the relationship between job insecurity and both moderating and mediating variables should be interpreted with caution (Podsakoff, MacKenzie, & Podsakoff, 2003). In order to reduce common method variance (CMV) potential limitations, supervisors provided reports for the outcome variables. Second, there are no unusual high correlations among employees' variables and past research has shown that CMV cannot create artificial interaction effects (Siemens, Roth, & Oliveira, 2010); actually, CMV deflates interaction effects. Nonetheless, other researchers should retest our model using different designs, such as longitudinal studies, to better understand the relationship between job insecurity and psychological contract breach over time.

Concerns about the small effects sizes (i.e., coefficients) may be raised, however these effects may suggest strong empirical evidence for a given phenomenon (Cortina & Landis, 2009). Indeed, conditional indirect effects tend to be small when the study involves individual perceptions (Cortina & Landis, 2009), such as job insecurity or psychological contract breach (e.g., Dulac et al., 2008).



Our measures of job insecurity and work outcomes may raise some questions. Some researchers argue that job insecurity is a multi-dimensional construct (e.g., Ashford et al., 1989), including quantitative (i.e., threat to the continuity of job) and qualitative (i.e., threat to the continuity of important job features). We measured the quantitative facet of job insecurity since it is the main concern individuals have in a context where unemployment is growing fast (De Witte, 2005). Nonetheless, different kinds of insecurity may lead to different responses, hence future research may also test whether and how different dimensions of job insecurity impact on organizational functioning. Although it reduces CMV concerns, the outcome measures were obtained from the supervisors, therefore the attributional processes involved may influence their reports. Future research should consider to examine objective performance (e.g., objective ratings) and deviance (e.g., theft) as they provide a (more) unbiased measure of actual behaviors.

Additionally, future research should examine other potential buffers of the job insecurity-work outcomes relationship, namely individual characteristics, organizational factors and agents (i.e., supervisors, managers) and systemic issues. These mechanisms are intended to reduce job-related tension through the minimization of the stress experience (Lazarus & Folkman, 1984). At the individual level one can examine employees past experiences, core self-evaluations, attributional style and perceptions of control. For instance, employees with high sense of control over the situation may think that the results associated to it are more predictable and therefore act in a different manner. Regarding other potential safeguards, one can assess other positive constructs such as gratitude, forgiveness, and courage, which may have the same positive effect as PsyCap (Luthans et al., 2007). At the organizational level, the role of supervisors during periods of uncertainty also

provides another interesting line of research. The context also plays an important role for a more complete understanding of how job insecurity works. Moreover, attempts to combine aspects from the three levels help provide a more complete and a holistic view of the phenomenon.

Future research should also examine the antecedents of job insecurity and psychological contract breach. For instance, researchers may be interested in testing the impact of different blame attributions of job insecurity or if the economic uncertainty results in alterations of the psychological contract. Moreover, cultural differences may play an important role explaining the feelings of job insecurity and psychological contract breach. On the one hand, contracts in Europe still tend to be permanent and therefore employees expect security. On the other hand, in other locations where the contracts may not usually offer this type of security, employees might not expect to be secure at their jobs. Finally, examining the sources of PsyCap can also provide some insights to managers about how to develop it in a daily basis.

## **Conclusion**

This study offered a possible explanation for the relationship between job insecurity and work outcomes. Job insecurity triggers negative behaviors, via breach of psychological contract. Still, there are promising solutions. Our study shows that PsyCap may help to deal in a positive fashion with job insecurity and perceived psychological contract breach. We hope our study stimulates the discussion on job insecurity and its effects on work related outcomes, as further research is still needed to fully understand the pervasive effects of the socio-economic context in organizational life.

### CHAPTER III

#### **STUDY 2: FORGIVING IS GOOD FOR HEALTH AND PERFORMANCE: HOW FORGIVENESS HELPS INDIVIDUALS TO COPE WITH BREACH**

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##### **Abstract**

The negative impact of the psychological contract breach on outcomes has received growing attention from researchers (Zhao, Wayne, Glibkowski, & Bravo, 2007). However, there is a lack of studies about the potential individual resources that may help employees to cope with such breaches of the psychological contract, minimizing its negative effects. Drawing on the job demands-resources model, we examined psychological contract breach (time 1) as a job stressor and its direct impact on emotional exhaustion and carry over effects for in-role performance and organizational citizenship behaviors (time 2). Furthermore, based on the conservation resources theory, we tested the moderating role of forgiveness cognitions as a personal resource that allows individuals to cope with stressful situations. Using a sample of 220 employees and their supervisors, our results suggest that emotional exhaustion mediates the relationship between the psychological contract breach and performance. Additionally, forgiveness cognitions moderated the relationship between the psychological contract breach and emotional exhaustion. These findings highlight the role of breach as an important stressor and its negative effects for health and performance, as well as the buffering effect of forgiveness cognitions.

**Keywords:** psychological contract breach; job demands-resources model and conservation of resources theory; forgiveness; and performance.

## **Introduction**

Recent years have seen a renewed interest in psychological contracts (e.g., Conway & Coyle-Shapiro, 2012; Ng, Feldman, & Lam, 2010; Zagenczyk et al., 2015). The underlying motivation has been the organizational changes caused by market competition and the financial crisis. Hereupon, employees experience constant variations in their employment relationships and contracts, which are often perceived as breaches of their psychological contract (Zhao, Wayne, Glibkowski, & Bravo, 2007). Curiously, these breaches are known for being the norm and not the exception (Robinson & Rousseau, 1994) and have negative consequences for employees (e.g., Turley & Feldman, 2001), hypothetically leading to increased stress and strain, because it jeopardizes the notion of reciprocity, which is key to employees' well-being (Maslach, Schaufeli, & Leiter, 2001).

Furthermore, research indicates that the psychological contract breach can be particularly distressful for employees (Gakovic & Tetrick, 2003; Noblet & Rodwell, 2009). Two reasons have been pointed out: the imbalance of the relationship may exceed the levels of job control and social support available to the individual (Karasek, Baker, Marxer, Ahlbom, & Theorell, 1981); and, the threat to predictability and sense of control that people believe they have over their environment (Gakovic & Tetrick, 2003). In this regard, we suggest that psychological contract breach can be defined as a job stressor since it is a stimulus that requires cognitive effort and it is associated with certain psychological and physical costs (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). However, research on this topic is only emerging and little is known about the extent to which psychological contract breach contributes to employees' stress appraisal process.

In order to understand the role of psychological contract breach as a stressor, we draw on the job demands-resources model of burnout (JD-R; Demerouti et al., 2001) and use insights from the conservation of resources theory (COR; Hobfoll, 1989, 2001). The former model suggests that job demands (e.g., workload; Wright & Cropanzano, 1998) may lead to a depletion of energy, exhausting employees (Caplan, Cobb, French, Harrison, & Pinneau, 1975). The latter assumes that individuals use personal resources in order to deal with threatening or demanding conditions, preventing negative outcomes (Hobfoll, 1989, 2001). Personal resources (e.g., self-efficacy and optimism) are aspects of the self that increase an individual's ability to control and impact upon the environment in a successful fashion (Hobfoll, Johnson, Ennis, & Jackson, 2003).

Personal resources have some similar features to job resources, such as being functional in the achievement of goals, reducing job demands and stimulating personal growth and development (Demerouti et al., 2001). These personal and job resources are theoretically analogous to coping strategies (Jonge & Dormann, 2006) because they can be defined as an extra energy that makes individuals able to cope with stressors (Hobfoll, 1989, 2002). Thus, employees who experience psychological contract breach (cognitive stressor) are likely to experience strains (emotional exhaustion) unless they have the resources to cope with the situation (coping strategies).

Therefore, the primary objective of our study is to examine psychological contract breach as a job stressor, its relationship with emotional exhaustion and the spillover effects on performance (i.e., in-role performance and organizational citizenship behaviors). Additionally, we suggest that forgiveness cognitions can buffer the relationship between psychological contract breach and emotional

exhaustion. The assumption in the JD-R model about the buffering role of resources on the impact of job demands on stress has received little attention (Bakker, Demerouti, & Verbeke, 2004; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2007), disregarding the importance of these determinants of employees' adaptation to work environment (Hobfoll, 1989).

Our research contributes to theory as we offer a complementary perspective on psychological contract breach by using an additional theoretical framework to explain the negative impact of breach on performance. Moreover, not only there is a lack of forgiveness scholarship in organizational sciences (Bright & Exline, 2011; Cox, 2011), but research about forgiveness has been focused on interpersonal relationships (Aquino, Grover, Goldman, & Folger, 2003; Aquino, Tripp, & Bies, 2001; Aquino, Tripp, & Bies, 2006). Forgiveness studies are needed in order to understand its value as a coping and conflict reduction strategy, and as a benefit in the aftermath of wrongdoing in organizations (Aquino et al., 2003). Thus, we extend the literature about forgiveness directed at impersonal entities like organizations because these types of cognitions can also significantly affect the employee-organization relationship.

### **Conceptualization of Psychological Contract Breach as a Job Stressor**

Psychological contracts have been defined as individual beliefs regarding the mutual obligations that exist between employee and employer (Conway & Briner, 2005; Rousseau, 1995), and are based on the norm of reciprocity (Gouldner, 1960) and social exchange theory (Blau, 1964). Contrasting with labor contracts, the terms of a psychological contract are not written, stated, negotiated, or discussed, but they

can be restructured by a context that implicitly or explicitly transmits a future commitment or intent (Rousseau, 2001). When one party fails to keep up the promises or obligations, a psychological contract breach occurs (Rousseau, 1989, 1995). Hence, psychological contract breach refers to the employee's perception concerning the degree to which the organization has failed to fulfill its promises or obligations (Robinson & Rousseau, 1994).

When the employee perceives a breach in his/her psychological contract, he or she feels that the relationship with the employer is unbalanced (i.e., the difference in the ratio between benefits received and contributions made), and acknowledges that he or she is not receiving enough from the organization (Morrison & Robinson, 1997; Robbins, Ford, & Tetrick, 2012; Rousseau, 1995). This perception is likely to lead to negative responses if it induces strong feelings of unfairness (Noblet & Rodwell, 2009), which is normally the case (Robbins et al., 2012).

Perceived unfairness, in general, and psychological contract breach as a demonstration of lack of fairness (i.e., one believes that what he or she is receiving is not fair), in particular, are considered stressors at the workplace (Robbins et al., 2012), since they embody conditions or situations that can be a source of strain to an individual (Kahn & Bossier, 1992). Additionally, this conceptualization of the psychological contract breach as a stressor is based on its potential to exert a negative influence on employees' psychological and physical health (Demerouti et al., 2001), by reducing the individual's capacity to exert control over the work environment and affecting his or her ability to function in an efficient way (Fried, Ben-David, Tiegs, Avital, & Yeverechyahu, 1998). Moreover, Lapointe, Vandenberghe and Boudrias (2013) argue that breach can be "conceived as a stressor that alters the quality of

employee-organization relationship and depletes individuals' organization-related outcomes" (p.535).

### **Psychological Contract Breach and Emotional Exhaustion**

Employees who encounter job stressors (e.g., psychological contract breach) are more likely to suffer from emotional exhaustion (De Croon, Sluiter, & Blonk, 2004; Sonnentag, Kuttler, & Fritz, 2010), which can be defined as "feelings of being overextended and depleted of one's emotional and physical resources" (Maslach, Schaufeli, & Leiter, 2001: 399). Emotional exhaustion is a key outcome of the stress process for several reasons. First, research shows that emotional exhaustion is the most significant dimension of burnout (Cropanzano, Rupp, & Byrne, 2003; Maslach & Jackson, 1981; 1996; Maslach, Schaufeli, & Leiter, 2001; Schaufeli & Taris, 2005). Second, there is some evidence showing that emotional exhaustion precedes the other burnout dimensions (i.e., depersonalization and personal accomplishment; Toppinen-Tanner, Kalimo, & Mutanen, 2002) and therefore it is key for the burnout process. Third, emotional exhaustion is associated with poor performance and poor health (Cropanzano et al., 2003; Melamed, Shirom, Toker, & Shapira, 2006).

Thus, psychological contract breach can be conceptualized as job stressor because it requires a sustained mental effort to deal with the breach and it is linked to high levels of emotional exhaustion (Demerouti et al., 2001; Gakovic & Tetrick, 2003). An important aspect of this conceptualization is that job demands are mainly perceived by the employee. In a case of breach of the psychological contract, this perception can be defined as higher job demand/stressor, which starts a resource



depletion process that harms the employee-organization relationship (Lapointe et al., 2013). Hence, we predict the following:

*Hypothesis 1:* Psychological contract breach is positively related to emotional exhaustion.

### **The Moderating Role of Forgiveness**

The JD-R model (Demerouti et al., 2001) also assumes that the lack of resources jeopardizes the meeting of job demands, which further leads to emotional exhaustion. On the other hand, high levels of resources, namely personal resources (i.e., self-efficacy and organizational-based self-esteem), may buffer the job demands-emotional exhaustion relationship (Demerouti et al., 2001), as demonstrated by a recent study (Xanthopoulou et al., 2007).

According to the COR theory, personal resources are aspects of the self that enhance the individual's ability to control and impact their environment in a successful manner (Hobfoll et al., 2003). Additionally, this theory assumes that individuals strive to obtain, retain, protect, and foster the things that they value (Hobfoll, 2001) and that they use their personal resources in that process, investing them in order to deal with threatening conditions (Hobfoll, 1989). Personal resources are theoretically analogous to coping strategies (Jonge & Dormann, 2006) because they can be defined as an extra energy that makes individuals able to cope with stressors (Hobfoll, 1989, 2002). Taking this into account, we followed Aquino, Tripp and Bies (2006) conceptualization of forgiveness cognitions as coping strategies, as these responses should help individuals manage the negative workplace events.

Forgiveness literature is scarce and recent (e.g., Aquino, Tripp, & Bies, 2001, 2006). Forgiveness is defined as the internal act of giving up the anger, resentment, and the desire to seek revenge against the offender (e.g., Enright & the Human Development Study Group, 1991; North, 1987). Forgiveness is also considered to be a positive process that allows the individual to grow and move on with their life, leaving behind worries and ruminations about the transgressions they experience (Enright & Coyle, 1998; Worthington, 1998). Moreover, it is a strategy that is likely to be used by employees as a response to workplace offences in order to reduce the consequent stress (Cox et al., 2012). This positive process has been linked to positive individual outcomes, such as improved physical and mental health, which in turn lowers absenteeism and turnover levels (Cameron & Caza, 2002; Exline & Baumeister, 2000).

Based on the JD-R model (Demerouti et al., 2001) and COR theory (Hobfoll, 1989, 2001), forgiveness can be considered a resource. Forgiveness is a way of actively coping with the environment, by trying to change one's feelings and behaviors towards the offender (Aquino et al., 2003). It is important to notice that forgiveness does not involve forgetting that something immoral occurred, but it is a reduction in negative emotions (Tangney, Wagner, Hill-Barlow, Marschall, & Gramzow, 1996).

Although the existing body of research about coping is extensive, the literature did not investigate forgiveness cognition as a strategy for dealing with mistreatment (Cox, Bennett, Tripp, & Aquino, 2012). In this study, we combine COR theory (Hobfoll, 1989, 2001) with the buffering hypothesis of JD-R model (Bakker et al., 2005) by recognizing the potential moderating role of personal resources in the stressor-emotional exhaustion relationship. In this sense, we suggest that individuals

who cope with psychological contract breach using forgiveness as a coping strategy would be able to let go of the negative feelings and would be stimulated to grow and develop themselves, thus avoiding strain (e.g., emotional exhaustion).

*Hypothesis 2:* The positive relationship between the psychological contract breach and emotional exhaustion is moderated by forgiveness cognition, such that when forgiveness cognition is high, the relationship will be weaker than when forgiveness cognition is low.

### **Consequences for Performance**

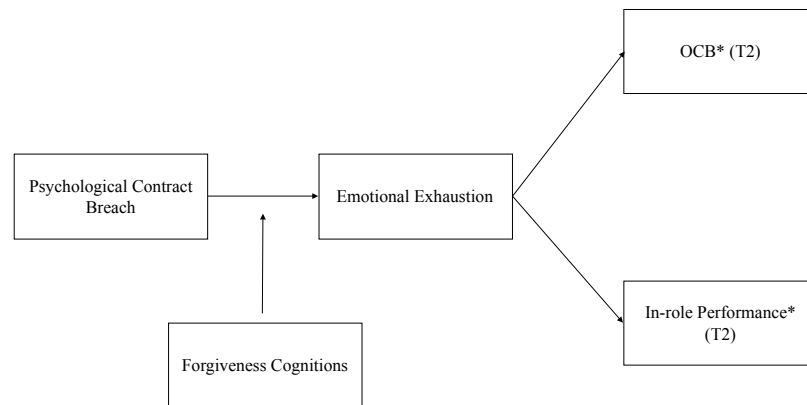
Psychological contract breach has been related to reductions in performance (Robinson, 1996; Turnley, Bolino, Lester, & Bloodgood, 2003; Turnley & Feldman, 1999) and organizational citizenship behaviors (Robinson, 1996; Zhao et al., 2007). Several studies have demonstrated the existence of multiple mechanisms, such as trust (Robinson & Morrison, 1997) and affective commitment (Restubog, Bordia & Tang, 2006) that operate in the relationship between the psychological contract breach and outcomes. The most common framework used for understanding these results is social exchange theory (SET; Blau, 1964) and the norm of reciprocity (Gouldner, 1960). According to this theoretical framework, employees seek a balanced and fair exchange between their contributions to the organization and what the organization gives back. While reciprocity is an important explanatory mechanism, other theoretical foundations can be used to understand how psychological contract breach impacts performance. As stated previously, JD-R model and COR theory offer an additional insight on such relationship.

The depletion of one's emotional and physical resources (Maslach et al., 2001) and depletion of individual coping and energy resources (Hobfoll & Freddy, 1993) are consequences of high demands, such as psychological contract breach. Therefore, individuals in those conditions would be more exhausted, decreasing their investment in the relationship and, at the same time, lowering their outcomes (Buunk & Schaufeli, 1993; Cropanzano et al., 2003; Wright & Cropanzano, 1998; Wright & Bonett, 1997) because they would feel physical fatigue, a persistent sense of mental weariness (Wright & Cropanzano, 1998), and reduced levels of energy. Additionally, there is evidence of the negative relationship between emotional exhaustion and performance (e.g., Wright & Cropanzano, 1998; Wright & Bonett, 1997).

Considering these arguments, we suggest that the interaction between psychological contract breach and personal resources (i.e., forgiveness cognitions) is related to emotional exhaustion and, subsequently, to performance and organizational citizenship behaviors. Specifically, when forgiveness cognitions are low, a higher level of perceptions of psychological contract breach will lead to an increase in emotional exhaustion and thus impact negatively performance and organizational citizenship behaviors. On the one hand, when forgiveness cognitions are high, the experience of breaches in psychological contract should not contribute to higher emotional exhaustion, as employees are stress resilient (Chen, Gully, & Eden, 2001) and able to control and adapt to their environment (Hobfoll, 1989; Hobfoll et al., 2003). Based on the presented arguments, we hypothesized:

*Hypotheses 3:* Emotional exhaustion mediates the relationship between the psychological contract breach x forgiveness interaction and in-role performance (3a) and organizational citizenship behaviors (3b).

Our conceptual model is depicted in Figure 8.



**Figure 8** - Proposed Moderated Mediation Model. \*Assessed from supervisors.

## Method

### Sample and Procedure

We administered the questionnaires to subordinates and supervisors of a firm operating in the water supply sector. Data for this study were collected in two waves. At time 1, the survey was administered to 399 employees, of whom 283 responded (71% response rate). Six weeks after, 17 supervisors rated in-role behaviors and OCBs of employees who participated in time 1. After the removal of incomplete questionnaires, the final sample used to test the hypotheses was 220. The participants' ages ranged from 21 to 65, with a mean of 45 years. 60.9% of the final respondents were men. Organizational tenure was on average 17 years (s.d=10.78). Educational attainment was as follows: 25.4% reported not completing high school, 44.6%

reported having a high school diploma, 23.9% reported having an undergraduate degree, 4.7% reported having a graduate degree.

### **Time 1 measures**

For all but the control variables, participants rated their agreement with each statement using a 5-point Likert scale (1=*strongly disagree*, 5= *strongly agree*).

*Psychological contract breach.* To assess employees' perceptions of the psychological contract breach, we used the 5-item scale developed by Robinson and Morrison (2000). An example item from this scale is: "I have not received everything promised to me in exchange for my contributions". The Cronbach alpha was .86.

*Emotional exhaustion.* We measured emotional exhaustion with five items of the Maslach Burnout Inventory-General Survey (MBI-GS; Schaufeli, Leiter, Maslach & Jackson, 1996). A sample item is: "I feel emotionally drained from my work". The Cronbach alpha was .90.

*Forgiveness cognitions.* Forgiveness cognitions' scale was adapted from interpersonal level to the organizational level and applied specifically to psychological contract breach. These items were introduced by the following text: "Think about the last time you felt that your organization did not fulfil a promise. Please indicate your agreement / disagreement with the following statement regarding how you felt and what you thought in that moment". To assess forgiveness, we used the 4-item scale developed by Aquino et al. (2006) adapted to the organization. A sample item is: "I would let go of the negative feelings I had against my organization". The Cronbach alpha was .91.

## **Time 2 measures**

*In-role performance.* To measure in-role performance, we asked supervisors to rate their employees using Lynch, Eisenberger & Armeli's (1999) nine in-role performance items. A sample item from this scale is: "This employee performs tasks that are expected of him/her". The Cronbach alpha was .91.

*Organizational citizenship behavior.* To assess organizational citizenship behaviors, we asked supervisors to evaluate their employees with six items (i.e., civic virtue and altruism) from MacKenzie, Podsakoff and Fetter's (1993) scale. A sample item is: "This employee keeps up with developments in the company". The Cronbach alpha was .85.

## **Control variables**

Following Becker's (2005) recommendations, we controlled only for those variables that were correlated with the dependent variables in order not to reduce the statistical power. Thus, we controlled for subordinates' age (T1), as it is usually related to emotional exhaustion (e.g., Maslach, Schaufeli, & Leiter, 2001).

## **Results**

Means, standard deviations, correlations, and scale reliabilities are presented in Table 10. Reliabilities for all scales were good, ranging from .86 to .91.

**Table 10** – Descriptive Statistics, Correlations, and Cronbach's Alphas<sup>a b</sup>

Variable	M	SD	1	2	3	4	5	6	7	8
1. Psychological Contract Breach	2.73	.92	(.86)							
2. Emotional Exhaustion	2.36	.86	.27**	(.90)						
3. Forgiveness	3.27	1.04	.12	.08	(.91)					
5. In role Performance	4.36	.66	-.04	-.15*	.03	.02	(.91)			
6. OCB	3.90	.73	-.10	-.17*	.14*	-.06	.78**	(.85)		
7. Age	44.73	9.83	.16*	-.06	.05	.15*	.02	-.03	--	
8. Gender	1.39	.49	-.16*	-.02	-.04	-.07	.04	.12	--	--

*Note.* OCB - Organizational Citizenship Behaviors.

<sup>a</sup>. 5-point scales <sup>b</sup>. Cronbach's alphas appear in parentheses along the main diagonal. \*\*  $p < .01$ ; \*  $p < .05$

Because participants were nested by supervisor (i.e., teams), we assessed intraclass correlations (ICCs) for all variables to observe the proportion of group-level variance (Bliese, 2000). ICC (1) and ICC (2) are used to assess whether aggregation to the group level is appropriate (Table 11). Large ICC (1) values indicate dependence in the data structure, whereas high ICC (2) suggest reliable between-group differences (Bliese, 2000). Results for ICC (1) show that team membership explains a fair amount of variance in two of the five variables, however none of these values is particularly large (i.e., less than .40; Cicchetti, 1994). Moreover, ICC (2) of three variables is too low to support aggregation (i.e., psychological contract breach, emotional exhaustion, and forgiveness cognitions). Consequently, we modeled our data using a pooled within-group covariance matrix as suggested by Hox (2002). That



is, we group mean centered (i.e., we subtracted the individual's team mean from the individual's score) our variables in order to provide an unbiased estimate of the population within groups (i.e., the individual deviations from the team means; Hox, 2002). Then, we tested our model using these unbiased estimates of the population within-groups covariance matrix instead of testing the raw data (Hox, 2002).

**Table 11** – Results from ICC (1) and ICC (2) for Team Membership

	ICC(1)	ICC(2)
1. Psychological Contract Breach	.04	.41
2. Emotional Exhaustion	.02	.24
3. Forgiveness Cognitions	.05	.43
4. In role Performance	.25	.82
5. OCB	.27	.85

*Note.* ICC = Intraclass correlations; OCB = Organizational Citizenship Behaviors

## Measurement Model

We conducted confirmatory factor analysis (CFA) with AMOS 20 to examine whether our measurement model had an acceptable fit (Table 12). The measurement model contained five factors: in-role performance, organizational citizenship behaviors, psychological contract breach, emotional exhaustion, and forgiveness. We compared the five-factor model against a series of nested models: a four-factor model, where the data collected from supervisors (i.e., in-role performance and organizational citizenship behaviors) were combined into a single factor; a two-factor model, where we separated all items collected from employees (i.e., psychological contract breach, emotional exhaustion, and forgiveness,) from those indicated by

supervisors (i.e., in-role performance and organizational citizenship behaviors); and a one-factor model where we combined all items into a single factor.

**Table 12** - Comparison of alternative models against the hypothesized measurement model: Confirmatory factorial analyses (CFA) fit indexes

Model	$\chi^2$	do	$\Delta \chi^2$ (vs.1)	CFI	RMSEA	SRMR
1. Hypothesized 5 factor measurement model	513.5**	363		.96	.04	.05
2. Alternative 4 factor model <sup>a</sup>	568.6**	367	55.07**	.95	.05	.06
3. Alternative 2 factor model <sup>b</sup>	1518.5**	372	1005.03**	.70	.12	.12
4. Alternative one-factor	2193.7**	373	1680.16**	.52	.15	.16
5. Common method factor 6-factor model	451.3**	335	62.2**	.97	.04	.05

Note. \*\* p < 0.01

<sup>a</sup> Equating in-role performance and organizational citizenship behaviors

<sup>b</sup> Equating in-role performance and organizational citizenship behaviors; and, psychological contract breach, emotional exhaustion, and forgiveness

The five-factor model presented a good fit ( $\chi^2$  (363) = 513.51; CFI = .96; RMSEA = .04; SMRM = .05) and held a significantly better fit than the alternative models (Table 12). Factor loadings were all acceptable, ranging between .51 and .92 for psychological contract breach, .74 and .88 for emotional exhaustion, .71 and .92 for forgiveness, .45 and .83 to organizational citizenship behaviors, and .50 and .88 for in role performance.

We also analyzed the impact of a sixth latent variable, representing an unrelated method factor (Podsakoff et al., 2003) in order to evaluate common method variance. The improvement of the measurement model fit means that CMV may be present in the data (Williams, Cote & Buckley, 1989). After adding an unrelated

method factor, the statistical fit indexes improved slightly ( $\chi^2(335) = 451.31^{**}$ ; CFI = .97; RMSEA = .04; SRMR = .05), which is expected. Consequently, we calculated the variance explained by the method factor (Williams et al., 1989). CMV accounted for 6.3% of the total variance, which represents an acceptable value, significantly lower than the established threshold (25%; Williams et al., 1989).

## **Hypotheses Testing**

To test the proposed mediated moderation effects, we used the bootstrapping analysis outlined by Hayes (2012). Several researchers have advocated bootstrapping as a straightforward and robust strategy for assessing indirect effects, particularly mediated-moderation effects (MacKinnon, Lockwood, & Williams, 2004; Preacher & Hayes, 2004; Preacher et al., 2007; Shrout & Bolger, 2002). Furthermore, Shrout and Bolger (2002) have demonstrated that bootstrap methods are more powerful than traditional tests of mediation. Additionally, we centered the predictor variables (i.e., psychological contract breach and forgiveness) following the recommendation put forth by Aiken and West (1991).

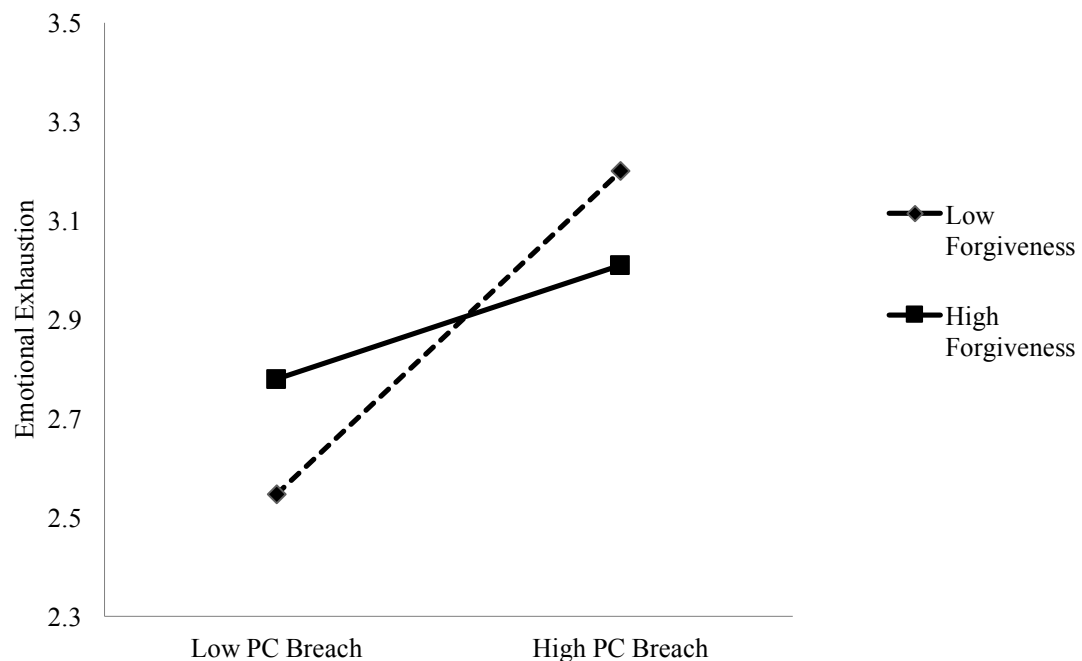
The main results are displayed in Table 13. Consistent with hypothesis 1, we found that psychological contract breach was positively related to emotional exhaustion ( $B = .24$ ,  $p < .01$ ). Concerning hypothesis 2, the interaction between psychological contract breach and forgiveness cognitions on emotional exhaustion was significant ( $B = -.11$ ,  $p < .05$ ).

**Table 13 – Bootstrapping Results**

Predictor	Mediator					Outcomes				
	Emotional Exhaustion					In Role Performance				
	B	SE(B)	<i>t</i>	95%CI		B	SE(B)	<i>t</i>	95%CI	
<i>Control Variable</i>										
Age	-.01	.01	-1.35	[-.02, .00]		.00	.00	-.37	[-.01, .01]	
<i>Main Effects</i>										
PCB	.22	.06	3.55**	[.10, .34]		.03	.05	.55	[-.07, .12]	
Forgiveness	-.01	.06	-.22	[-.13, .10]						
<i>Interaction Term</i>										
PCB x Forgiveness	-.13	.05	-2.47**	[-.23, -.03]						
Emotional Exhaustion						-.12	.05	-2.16**	[-.22, -.01]	
						-.15	.05	-2.75**	[-.26, -.04]	

*Note.* \* p<.05 \*\* p<.01. PCB - Psychological Contract Breach; OCB - Organizational Citizenship Behaviors; CI - Confidence Interval

We plotted the interaction between psychological contract breach and forgiveness cognitions and calculated the simple slopes using the procedures recommended by Cohen, Cohen, West, and Aiken (2003). As shown in Fig. 9, the results matched the predicted pattern, thus supporting Hypothesis 2. Psychological contract breach had a strong positive relationship with emotional exhaustion when forgiveness cognitions were low ( $t=4.15$ ,  $p<.05$ ), but not when they were high ( $t=1.46$ ,  $p>.05$ ). The difference between slopes was significant ( $t=-2.00$ ,  $p<.05$ ), suggesting that the strength of the relationship between psychological contract breach and emotional exhaustion is indeed affected by forgiveness cognitions.



**Figure 9** - Interaction between Psychological Contract Breach and Forgiveness

Finally, we tested for moderated mediation (Preacher et al., 2007) to examine if the interaction effect of psychological contract breach and forgiveness cognitions

extended to in-role performance and organizational citizenship behaviors, via emotional exhaustion. The first step is to assess whether the mediator is significantly related to in-role performance and organizational citizenship behaviors. The results indicated a direct and significant relationship between emotional exhaustion and both in-role performance ( $B = -.14, p < .05$ ) and organizational citizenship behaviors ( $B = -.15, p < .05$ ). To further test the mediated-moderation hypothesis, we analyzed the conditional indirect effect of psychological contract breach on both in role performance and organizational citizenship behaviors at specific values of the moderator ( $-1SD, +1 SD$ ). Supporting our hypothesis, the indirect effect of psychological contract breach x forgiveness on in-role performance through emotional exhaustion was significant for low forgiveness cognitions ( $B = -.04; p < .05$ ) but not high ( $B = -.01; p > .05$ ). A similar effect was present for organizational citizenship behaviors. That is, the indirect effect of psychological contract breach x forgiveness via increased emotional exhaustion was significant for low forgiveness cognitions ( $B = -.06; p < .05$ ), but not for high ( $B = -.02; p > .05$ ). Overall, when forgiveness cognitions are low, as psychological contract breach increases, in-role performance and organizational citizenship behaviors decrease via heightened emotional exhaustion. When it is high, an increase in psychological contract breach does not lead to a decrease in in-role performance and organizational citizenship behaviors nor an increase in emotional exhaustion.

## **Discussion**

In this article, we examined the interplay between psychological contract breach, forgiveness cognitions, emotional exhaustion, and both performance and

organizational citizenship behaviors (OCBs). Specifically, we proposed that emotional exhaustion mediates the relationship between psychological contract breach and in-role performance and OCBs. Moreover, we examined the potential role of forgiveness cognitions as buffers of this process. The empirical findings supported our predictions. We found that psychological contract breach is positively related to emotional exhaustion, which in turn impacts negatively performance and OCBs. Regarding our buffering hypotheses, the results showed that forgiveness cognitions buffered the relationship between psychological contract breach and emotional exhaustion. Thus, when forgiveness cognitions are high, employees will be less emotionally exhausted because these forgiving thoughts make them more able to cope with this negative event. Therefore, their performance and OCBs will not be reduced.

### **Theoretical Implications**

Our research makes several important theoretical contributions. First, we extend our knowledge of how psychological contract breach operates by applying the JD-R model (Demerouti et al., 2001) and COR theory (Hobfoll, 1989), and conceptualizing psychological contract breach as a job demand / stressor. Psychological contract breach is a job stressor not only because it is related to psychological and physical problems (Demerouti et al., 2001), but also because it induces strong feelings of unfairness (Noblet & Rodwell, 2009), which tend to be associated with emotional exhaustion (Cole, Bernerth, Walter, & Holt, 2010).

Second, our findings are aligned with the JD-R model (Demerouti et al., 2001) in that we found that psychological contract breach functions as a stressor, which increases emotional exhaustion, and consequently reduces performance. In addition,

our results are aligned with previous research that has found a direct relationship between emotional exhaustion and both in role performance and organizational citizenship behaviors (Cropanzano et al., 2003; Wright & Cropanzano, 1998). Explained by COR theory (Hobfoll, 1989), the depletion of resources and energy would be a plausible reason for such relationships. The conditional effect of psychological contract breach on outcomes suggests that employees experiencing breaches of their psychological contracts, but without the resources to deal with it, will feel emotionally drained which in turn will lead to a decrease in performance.

Third, we found that only forgiveness cognitions buffered the psychological contract breach – emotional exhaustion relationship, suggesting that it is an important personal resource to handle perceived workplace wrongdoing. As a personal resource, forgiveness is a deliberate choice from one who decided to use a constructive alternative to retaliation (Boon & Sulsky, 1997). Additionally, employees who use forgiveness as a coping strategy are resilient to workplace stress (Chen, Gully, & Eden, 2001) and able to control and adapt to such stressful environments (Hobfoll, 1989; Hobfoll et al., 2003). Using this type of personal resources is an effective way to deal with demanding conditions, and in turn avoid negative outcomes (Xanthopoulou et al., 2007). Moreover, several researchers have pointed out the need for further research in such area (Bright & Exline, 2011), because forgiveness has the potential to reconcile damaged relationships (Cox, 2011).

### **Practical Implications**

The present study holds important insights for managers who want to prevent employee burnout and the resulting negative effects on performance. Our results



showed that psychological contract breach leads to emotional exhaustion, which in turn affects performance levels. Implicitness of promises, pre-hire interactions, organizational change, and perceived breach history are pointed out as antecedents of psychological contract breach (Robinson & Morrison, 2000). With such factors in mind, organizations need to be careful about what they promise. In addition, managers should try to evaluate the employees' expectations and clarify the discrepancies between expectations and reality.

Nonetheless, sometimes psychological contract breach is unavoidable due to changes in financial conditions (Robinson & Morrison, 2000). In such situations, organizations need to be prepared to try to minimize its costs. A possible way is to develop a positive organizational climate (Lam, Huang, & Janssen, 2010) or a healthy emotional climate (Janssen, Lam, & Huang, 2010) because these climates make employees more tolerant to emotional exhaustion. Furthermore, training programs could be developed, involving personal self-management skills (Taormina & Law, 2000). For instance, these skills entail the ability to relax and rest, and are therapeutic in stress management (Greenberg, 1993). In addition, as suggested by our results, organizations should foster a forgiving climate as it can be a "strategic advantage, thus acting as both a prosocial and a profit force for organizations" (Fehr & Gelfand, 2012, p.682). To develop such climate, managers should act as role models, showing forgiveness through their actions. For instance, managers can move on from past problems without resentment. Moreover, organizations can provide training in which forgiveness is included as a way of dealing with stress at the workplace. Forgiveness training is also mentioned as a way to decrease the negative effects of burnout (Cox et al., 2012). Regardless of the benefits of forgiveness, managers should be aware that forgiveness only works as a discretionary cognition such that employees who forgive

“by force” (i.e., because they believe that there is no other option) will experience high levels of stress and poorer health (Cox et al., 2012). Thus, managers should avoid forcing employees to forgive because it impacts negatively on their health.

### **Limitations and Future Research**

This study has several limitations that deserve comment. First, our study only examines the role of emotional exhaustion as a mediator between psychological contract breach and performance, leaving the other two burnout dimensions (i.e., cynicism, and efficacy; Malachi et al., 1996) aside. The choice of emotional exhaustion as a mechanism between contract breach and performance was based on the fact that this is the key element in the burnout process (e.g., Cropanzano et al., 2003; Maslach et al., 2001) and precedes the other dimensions (Toppinen-Tanner et al., 2002). Nonetheless, future research should explore how the different burnout dimensions operate simultaneously.

Second, three of the five variables in our model were assessed from employees at time 1, raising questions concerning common method variance (CMV). However, our concerns are minimized given that we included two outcomes (i.e., in-role performance and organizational citizenship behaviors) variables assessed by a different source, correlations between same source variables are low, and CMV cannot create artificial interaction effects (Siemens, Roth, & Oliveira, 2010). Nonetheless, the relationship between the independent variable (i.e., psychological contract breach), the moderator (i.e., forgiveness cognitions), and mediator (i.e., emotional exhaustion) should be interpreted with caution (Podsakoff, MacKenzie, Lee & Podsakoff, 2003).

Third, it has been suggested that cross-lagged and longitudinal designs can minimize the problems related to cross-sectional designs (Zapf, Dormann & Frese, 1996). Thus, we used a cross-lagged design with a time lag between psychological contract breach measurement and the outcomes (i.e., performance and organizational citizenship behaviors) in order to reduce causality concerns.

## **Conclusion**

Each day in organizations, people experience breaches in their psychological contracts. Our findings suggest that is a significant workplace stressor that impacts employees' emotional exhaustion and performance. Nonetheless, forgiveness is a resource that organizations can foster and nurture in their employees in order to prevent emotional exhaustion and the subsequent negative effect on individual performance and organizational citizenship behaviors. These findings highlight the potential of creating a forgiving climate and how this climate can offer benefits for the organization and its employees, because as Paul Boese highlighted, "forgiveness does not change the past, but it does enlarge the future".



## CHAPTER IV

### STUDY 3: AM I LEAVING BECAUSE I DESERVE MORE? SHORT RESEARCH NOTE ON THE BREACH-TURNOVER RELATIONSHIP

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#### Abstract

While there is extant empirical evidence about the relationship between psychological contract breach and turnover intentions, the link between breach and actual turnover remains poorly understood. Besides the lack of studies, their findings have been mixed. This study aims to provide additional understanding of this relationship by examining the direct relationship between breach and turnover (up to 1 year later). Moreover, we examine equity sensitivity as a potential moderator of such relationship because individual sensitivity to under-reward situations may help to explain breach-turnover relationship. We found support for our hypotheses, which means that individuals who perceive breaches in their contracts tend to leave the organization. Also, this behavior depends on individual equity sensitivity: entitlements are more likely to quit, whereas benevolents are more likely to stay.

**Keywords:** psychological contract breach, turnover behavior, equity sensitivity

## **Introduction**

Psychological contracts are defined as “an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party” (Rousseau, 1989, p.123). Social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) applied to psychological contracts suggest that employees are motivated to reciprocate when the organization fulfills their obligations or fail to do it. On the one hand, this reciprocation can take a positive form when the organization fulfill its obligations, which is reflected in terms of affective organizational commitment (e.g., Cassar & Briner, 2011; Suazo, 2009), in-role performance (e.g., Restubog, Bordia, & Tang, 2006; Robinson, 1996; Turnley & Feldman, 2000), and extra-role performance (Coyle-Shapiro, 2005; Rosen & Levy, 2013).

On the other hand, employees can reciprocate in a negative fashion when organization does not comply with the obligations, through deviant behaviors (e.g., Bordia, Restubog, & Tang, 2008; Restubog, Zagenczynk, Bordia, Bordia, & Chapman, 2012) and absenteeism (Johnson & O’Leary-Kelly, 2003). On the negative side, turnover has been also indicated as a result of psychological contract breach (Clinton & Guest, 2014) as it harms the employee-employer relationship and makes an employee think about the benefits and cost of staying in the organization (Conway & Briner, 2005). Maertz and Griffeth (2004) argue that “any breach reduces or negates obligations that employees feel they owe” (p.671), including obligations to stay in the organization (Robinson, Rousseau, & Kraatz, 1994). Based on a recent review of turnover theory (Hom, Mitchell, Lee, & Griffeth, 2012), Clinton and Guest (2014) suggest that one of the barriers to employees’ exit is the “obligations to stay

created by the psychological contract”, which prevent “reluctant stayers” to become “enthusiastic leavers” (p.201). Supporting these ideas, Bunderson (2001) states that withdrawing from the organization is a mean to solve inequities in the employment relationship. Therefore, breach is an antecedent of turnover (Maertz & Griffeth, 2004).

However, extensive empirical evidence indicates a clear link between psychological contract breach and turnover intentions (e.g., Conway & Briner, 2002; Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008; Tekleab, Takeuchi, & Taylor, 2005), while studies about the relationship between breach and actual turnover have been scarce and their results have been mixed. For instance, in a sample of MBA graduates and graduating college seniors, Robinson et al. (Robinson, 1996; Robinson & Rousseau, 1994) found a positive relationship between breach and turnover; and Karagonlar, Eisenberger and Aselage (2016) found a negative relationship between fulfilment and turnover. In the same line, Bunderson (2001) found a positive association between breach and turnover (one year later) with medical professionals in a not-for-profit health care organization. Clinton and Guest (2014) also reported a positive correlation between breach and turnover (2 years later) in a sample of 6001 employees from Royal Air Force. On the other hand, there are also studies that found no relationship between those variables. For example, using a longitudinal design examining a sample of 191 university employees, Tekleab et al. (2005) found a non-significant relationship between breach and turnover. The same results hold true for the Sturges, Conway, Guest, and Liefvooghe’s (2005) study with a sample of 151 employees of a new-media company. In 2007, meta-analytic results by Zhao and colleagues (2007) examining 5 studies found an overall non-significant effect (Zhao, Wayne, Glibkowski, & Bravo, 2007). Therefore, as Clinton and Guest (2014)

summarize “why (...) breach may play a role as a proximal event encouraging (...) turnover remains poorly understood” (p.201).

### **The Current Study**

This study aims to provide more evidence concerning how breach impacts turnover. Specifically, we shed light on conditions that influence the breach-turnover relationship, by proposing that breach promotes turnover, mainly for entitled employees. Equity sensitivity is an individual difference which defines individuals' preferences for different input/output outcome relations (Huseman, Hatfield, & Miles, 1985; 1987). In other words, it indicates individuals' sensitivity to under or over-reward conditions (Huseman et al., 1985). These researchers conceptualized equity sensitivity as a continuum variable; however, one can find three different orientations towards equity in this continuum. At one end are *benevolents* who are characterized for preferring “their inputs to exceed their outputs” (Huseman et al., 1985, p.1056). *Benevolents* express high satisfaction from contributing to the organization and are seen as *organizational “givers”*; therefore, they are able to tolerate and forgive organizational transgression (Huseman et al., 1987, p.224). At the middle of the continuum one can find the *equity sensitives* who prefer equality in the input/output ratio. At the other end of the continuum are the *entitled* who prefer to receive more than give as they are outcome-focused; therefore, they are called *organizational “takers”* (Huseman et al., 1987). According to King and colleagues, entitleds are more concerned with transactional aspects of the employment relationship and are more intolerant to unfavorable input/output ratios (King & Miles, 1994; King, Miles, & Day, 1993).



Empirical evidence supports the moderating role of equity sensitivity in breach-attitude (i.e., affective commitment; Restubog, Bordia, & Bordia, 2009) and breach-behaviors (i.e., organizational citizenship behavior and deviant behavior; Restubog, Bordia, & Tang, 2007) relationships. Based on these arguments, we propose that, when perceiving breaches in their contracts, entitlements are more likely to withdraw from the organization by leaving as response to breach because they tend to react more negatively to under-reward situations. On the other hand, benevolents are more likely to tolerate and forgive the organization for breaches in the psychological contract as they are more prompt to maintain long-term relationships and to keep contributing to the organization outcomes.

We hypothesize that:

*Hypothesis 1:* Psychological contract breach is positively related to turnover.

*Hypothesis 2:* Equity sensitivity moderates the PCB-turnover relationship; such that relationship is stronger for entitled employees.

## **Method**

### **Procedure and Sample**

We collected the surveys in a private manufacturing company producer. On May 2015, the questionnaires were distributed to all their employees, of whom 145 responded (86.3% response rate). Then, we collected information regarding the actual turnover of the company between May 2015 and May 2016. Turnover was around 9%.

The sample was 90.6% males, with an average age of 39 years (s.d. = 5 years). Organizational tenure was 16 years in average (s.d. = 12 years). Fifty-eight percent of the sample did not complete high school and 19.7% had a college degree.

## **Measures**

*Control Variables.* Following Becker's (2005) recommendations, we only controlled for demographic variables that are correlated to the dependent variable, given its impact on statistical power. Thus, we controlled for employees' tenure, age, and education.

*Psychological contract breach.* We used the five-item scale developed by Robinson and Morrison (2000). An example item is: "I have not received everything promised to me in exchange for my contributions". The Cronbach alpha was .90.

*Equity sensitivity.* We used the triadic measure of equity sensitivity (TMES) by Foote and Harmon (2006) adapted from the Equity Sensitivity Inventory (ESI) developed by Huseman and colleagues (1987). This is a five-item scale in which the subject has a choice of three responses for each item: one representing a benevolent, the other an entitled, and the other a balanced response. This three option measure was a response to the only criticism of the instrument: ESI being based on a dichotomous response scale; therefore, Foote and Harmon (2006) argue about the importance of adding a new response option. Participants distribute 10 points between the three statements. Sample item is as follows: "It would be most import for me to: A. Get from the organization; B. Give to the organization; C. Give me as much to the organization as I

get from it". The Cronbach alpha was .69 for entitled. In line with previous research, the present study has treated the score derived from the TMES as a continuous measure like ESI (O'Neill and Mone, 1998; Restubog et al., 2009). High scores represent an entitled tendency.

*Turnover* (Time 2). We used a binary variable to indicate those who had left the organization. Following recommendations by Campion (1991), who reported evidence questioning the authenticity of the reasons for employee turnover found in archival records, we did not attempt to classify turnover as voluntary or involuntary.

## **Results**

Descriptive statistics and zero-order correlation are presented in Table 14. To test our hypotheses, we ran logistic binary regression using SPSS. Following recommendations by Cohen and colleagues (2003), all continuous predictors (i.e., breach and equity sensitivity) were mean-centered prior to analysis (Cohen, Cohen, West, & Aiken, 2003). To assess hypothesis 1, we ran logistic regression and calculated the odds ratios. Then, to examine the interaction hypothesis, we ran SPSS PROCESS Macro as it allows for the computation of bias correct intervals at high and low levels of the moderator (Hayes, 2013). Logistic regression results are showed in Table 15.

**Table 14** – Descriptive statistics and zero-order correlations.

	Mean	SD	1	2	3	4	5	6
1.PC Breach	2.66	.89						
2.Equity Sensitivity	2.06	1.20	.23					
3.Turnover	--	--	.29	.21				
4.Tenure	14.98	12.66	.02	.18	.27			
5.Age	39.36	11.52	.02	.12	.20	.94		
6.Gender	--	--	.04	-.17	-.10	.23	.20	
7.Education	3.40	1.07	-.06	-.13	-.24	-.22	-.15	.16

*Note.* PC = Psychological Contract; all correlations above .18 significant ( $p < .05$ )

The results supported our predictions as breach was significant associated with turnover ( $B=1.50$ ,  $SE=.53$ ,  $p < .01$ ). The odds ratios for the relationship between breach and turnover was 4.46, meaning that for a unit increase in breach, an individual is 4.46 times more likely to abandon the organization. Thus, we found support for hypothesis 1.

Regarding the moderation hypothesis, there was a significant breach x equity sensitivity interaction effect on turnover ( $B=.89$ ,  $SE=.42$ ,  $p < .05$ ). The conditional effect of X (breach) on Y (turnover) at different values of the moderator is also presented in Table 2. The estimate for entitlements (high level of equity sensitivity) is significant as the 95% confidence interval does not include zero. The same does not hold true for benevolents (low level of equity sensitivity) as the 95% confidence interval includes zero.

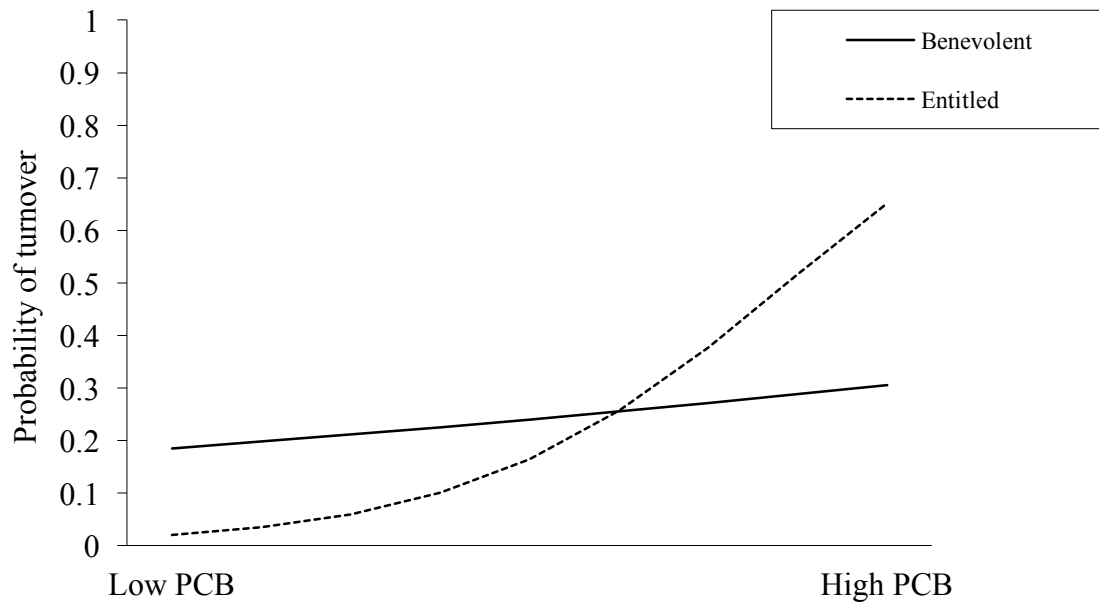
**Table 15-** Results of regression analysis and estimates and bias correct bootstrapped 95% confidence intervals for the effect of PC Breach on Turnover at low levels of equity sensitivity (benevolents) and high levels of equity sensitivity (entitleds)

<b>Dependent Variable: Turnover</b>		
	<i>Coefficients (SE)</i>	<i>Odds Ratios</i>
Intercept	-1.39 (3.57)	.25
Controls		
Tenure	.17 (.11)	1.19
Age	-.14 (.12)	.87
Education	-.90 (.54)	.41
Time 1 PC Breach	<b>1.50**</b> (.53)	<b>4.46**</b>
Time 1 Equity Sensitivity	-.20 (.43)	.89
PC Breach * Equity Sensitivity	<b>.89*</b> (.42)	<b>2.46*</b>
<i>Pseudo R<sup>2</sup></i>		<b>.47</b>
<i>Level of Equity Sensitivity</i>	<i>Estimate (SE)</i>	<i>95% CI</i>
Benevolents	.37 (.65)	[-.90, 1.64]
Entitleds	2.53 (.81)	[.94,.4.13]

*Note.* CI = Confidence Interval; PC = Psychological Contract; SE = Standard Error.

\*\*p<.01 \* p<.05.

Additionally, we plotted the relationship between breach x equity sensitivity and turnover, which demonstrates the probability of turnover at different levels of the predictors. The graph indicates that increases in breach encourage turnover behavior, but only for entitleds.



**Figure 10-** PC Breach x Equity Sensitivity Interaction predicting Turnover Behavior

## Discussion

This study sheds light on the inconsistent findings on the breach-turnover relationship. Specifically, high levels of breach are likely to be translated into turnover behavior up to 1 year later, which means that leaving the organization is seen as a potential way to solve inequities in the employment relationship (Bunderson, 2001). Aligned with Clinton & Guest (2014) results, this finding also suggest that breach removes barriers to employees' exit by eliminating the “obligation” of staying as part of the reciprocation process.

Additionally, the current study also sheds light into the potential boundary conditions of breach-turnover relationship as we found that equity sensitivity clearly shapes the nature of such link. Entitleds or organizational “takers” are more likely to leave as they do not tolerate under-reward situations (such as breach); organizational

“givers” or benevolents are more likely to stay as they are able to tolerate and forgive in order to maintain a positive relationship.

### **Strengths, limitations and future research**

Despite the two data points and objective turnover measure, we have some limitations. The manufacturing company is a small-medium sized enterprise (SME), which is translated into a small sample even with an 86% response rate.

Although psychological contract breach and equity sensitivity explain turnover behavior, researchers may consider to examine a full model, involving processes and moderators. As a complex process that impacts turnover, it is important to address the mechanisms through which it occurs. While Clinton and Guest (2014) found two processes (i.e., exchange fairness and trust) that mediate the relationship between breach and turnover, other mechanism may also explain this process. For instance, researchers may examine competing mechanisms simultaneously, that is, an attitudinal mechanism (e.g., job satisfaction), a social exchange mechanism (e.g., organizational commitment), a health mechanism (i.e., burnout or mental complaints), and an affective mechanism (i.e., violation or negative affectivity). Regarding this latter point, Raja, Johns and Bilgrami (2011) found a positive relationship between violation and turnover *intentions*, therefore it would be meaningful to understand whether and under what conditions these intentions become behaviors.

It is also worthy to identify potential resources that may prevent employees from leaving the organization in situations of high breach. Researchers may test personality traits as well as organizational-based self-esteem. There is limited research about how personality impacts psychological contract breach. As exceptions,

Raja, Johns and Ntalianis (2004) found that some personality characteristics predict perceptions of breach (except for extraversion, self-esteem, and equity sensitivity) and moderate the breach-violation relationship, and Orvis, Dudley and Cortina found that low consciousness individuals react more negatively to breach. Specifically, those individuals decreased loyalty levels and increased the thoughts about quitting. Therefore, it would be relevant to test how individual differences may shape the relationship between breach and turnover behavior.

## **Conclusion**

This study shed light on a boundary condition of the breach-turnover relationship. We hope that these findings encourage further research on this relationship in order to fully understand how, why and when breach promotes turnover behavior.



## CHAPTER V

### STUDY 4: PSYCHOLOGICAL CONTRACT BREACH, OUTCOMES AND CULTURE: A META-ANALYSIS OF 20 CORRELATES

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#### Abstract

Research on psychological contract breach increased enormously since the last meta-analysis. Therefore, this meta-analysis provides a comprehensive analysis of psychological contract breach and its correlates by extending the previous knowledge about breach in different ways. We examine its relationship with different categories of variables: attitudes and social exchange, affect and emotions, health, and behaviors. Building upon previous meta-analyses, we add a health category and negative work-related behaviors. Moreover, we test the moderating role of rating type (self vs. others) and the impact of different cultural configurations (horizontal-individualism vs. vertical-collectivism) on those relationships. Results based on 155 studies, 163 independent samples and 30 countries showed that psychological contract breach affects a range of different variables and the intensity of such relationships depends on the national cultural configuration.

**Keywords:** psychological contract breach, meta-analysis, national culture, rating

## **Introduction**

Since the seminal work of Rousseau (1989, 1995), psychological contract is seen as an important background for understanding the employee-organization relationship (Shore et al., 2004). As a key aspect of the employment relationship, research on psychological contracts, in general, and psychological contract breach, in particular, has grown enormously in the past years. Therefore, several theoretical reviews acknowledge such importance (e.g., Aselage & Eisenberger, 2003; Cullinane & Dundon, 2006; Rosseau & Tijoriwala, 1998; Shore et al., 2004). In terms of quantitative reviews, Zhao, Wayne, Glibkowski and Bravo (2007) and Bal, De Lange, Jansen and Van Der Velde (2008) both make different contributions.

The former meta-analysis examined the influence of psychological contract breach on eight work-related outcomes inserted into three categories (i.e., affect: violation, mistrust; attitudes: job satisfaction, organizational commitment, turnover intentions; individual effectiveness: actual turnover, organizational citizenship behaviors, and in-role performance). In addition, Zhao et al. (2007) assessed the moderating role of the type of breach measure (global vs. composite), the content of the psychological contract breach (transactional vs. relational) and integrated affective events theory (AET) in order to explain these relationships. They found that breach is related with almost all outcomes (excluding actual turnover) and supported the mediating role of affective reactions.

The latter examined the relationship between psychological contract breach and job attitudes (i.e., trust, job satisfaction and affective commitment) and the moderator impact of age. Using lifespan theory and AET, Bal et al. (2008) argued that older employees are less affected by contract breach. With 60 studies, age was a

significant moderator of this relationship, however in an unforeseen direction. Breach-trust and breach-commitment relationships were stronger for younger workers, while breach-satisfaction relationship was stronger for older workers (Bal et al., 2008).

Although both meta-analyses make remarkable contributions to the understanding of psychological contract breach, there are relevant issues that remain poorly understood. First, given the growing number of studies on psychological contract breach and its consequences, it is meaningful to replicate and extend the previous meta-analysis. Second, the studies involving negative behaviors, health outcomes (e.g., burnout), and social exchange constructs (e.g., perceived organizational support) have multiplied in the last years. Researchers have been more aware that psychological contract breach not only threatens the employment relationship by reducing positive behaviors, but also by increasing negative or deviant behaviors.

In addition, psychological contract breach can also impair one's health as it can be associated with experienced stress (Gakovic & Tetrick, 2003) and alters the quality of the employment relationship by depleting individuals' organizational-related outcomes (Lapointe, Vandenberghe, & Boudrias, 2013). Accordingly, we conducted a meta-analysis of the impact of psychological contract breach on workplace constructs, classified into attitudes and social exchange (i.e., affective organizational commitment, job satisfaction, turnover intentions, organizational trust, perceived organizational support, leader-member exchange, and procedural justice); affect, emotions and health (i.e., psychological contract violation, affective well-being, and negative affect, burnout and emotional exhaustion); and behaviors (i.e.,

task performance, organizational citizenship behaviors, deviance, neglect, voice, loyalty, exit, and actual turnover).

In the past, the majority of studies on psychological contract breach has relied on Western samples (Lo & Aryee, 2003). However, given the proliferation of studies in non-Western countries, another important question concerns cross-cultural differences in responses to breach as those differences may influence employees' behaviors (Goodman, Olivera, & Ranganujam, 1998). Employees within distinct cultures tend to adopt different cultural values and thus use different behavioral scripts in response to specific situations (Thomas, Au, & Ravlin, 2003). Aligned with this idea, we use the configurations of cultural values (Triandis, 1995) to examine whether national configurations of horizontal-individualism and vertical-collectivism impact the direction and strength of the relationship between breach and its correlates.

Third, researchers have shown methodological concerns regarding same sources of data (both predictors and criteria) as it may generate common method variance and bias the results (Zhao et al., 2007); therefore, we also explore the moderating role of rating type (self vs. other). Specifically, we test whether the rating type impacts the relationship between breach and behavioral outcomes, such as task-performance, organizational citizenship behaviors, and deviant behaviors.

## **Theory and Hypotheses**

Psychological contract is “an individual’s belief in the terms and conditions of a reciprocal exchange agreement between the focal person and another party (...) [that] emerges when one party believes that a promise has been created to provide future benefits” (Rousseau, 1989, p. 123). As such, psychological contracts are held

by employees and represent their beliefs about promises made by the organization (Morrison & Robinson, 1997; Rousseau, 1989). In order to evaluate the fulfillment of the psychological contract, an employee calculates a ratio between his/her contributions to the organization and the benefits provided by that organization. A breach occurs when an employee perceives that the organization has failed to fulfill its promises and/or obligations (Robinson & Rousseau, 1994). Essentially, it is a cognitive assessment of the fulfillment of the contract, in which one compares what each party has promised and received from the other (Morrison & Robinson, 1997).

The theoretical frameworks commonly used to explain the effects of psychological contract breach are social exchange theory (SET, Blau, 1964) and the norm of reciprocity (Gouldner, 1960). Social exchanges involve a set of interdependent and contingent interactions that generate obligations (Blau, 1964; Emerson, 1976). A key aspect of SET is that relationships change and evolve over time into trusting and reciprocal commitments (Cropanzano & Mirchell, 2005). Another important feature of SET is interdependence, which entails shared and matching arrangements (Molm, 1994) as reciprocity is the basis of exchange relationships. Gouldner (1960) defined the norm of reciprocity as a social rule that states that people should repay or return favors and other acts of kindness. It also involves the expectation that people get what they deserve and it may be seen as a universal principle (Gouldner, 1960). Thus, when a psychological contract breach occurs, employees perceive that the organization is not giving them what they deserve, and reciprocate accordingly. This reciprocation may encompass a change in attitudes and assessment of social exchange relationship, but can also involve emotional and behavioral responses, as well as impair health.

## **Psychological Contract Breach, Work Attitudes and Social Exchange**

Previous research has suggested that breach severely impacts work attitudes (Bal et al., 2008; Conway & Briner, 2005; Zhao et al., 2007). Work attitudes are employees' evaluation of their work and employer and can take many forms. Attitudes are favorable or unfavorable evaluative reactions and they are exhibited in beliefs, feelings, or inclinations to act, defining a person's attitude toward something (Myers, 2013). Based on past studies, one can say that when a breach occurs, an employee will make a negative evaluation of the employer and/or work/job. This negative evaluation is translated in terms of affective commitment, organizational trust, perceived organizational support, job satisfaction, turnover intentions, procedural justice and leader-member exchange.

Affective organizational commitment is the strength of one's identification, involvement with and emotional attachment to an organization (Meyer & Allen, 1984). It is considered to be the "attitudinal" commitment and refers to the degree of loyalty one has for the organization (Iverson & Buttigieg, 1999, p.308). Past research showed that when a breach occurs, employees' affective commitment is negatively affected, therefore employees are less likely to identify, be involved and attached to the organization (e.g., Lester et al., 2002; Restubog et al., 2006).

Organizational trust has been defined as "an expectation held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon (Rotter, 1967, p.651)". Research has shown that trust is a key component of social exchange relationships and the un-fulfillment of perceived commitments reduces trust by putting at risk the values of integrity and benevolence that are the building blocks of trust (Restubog, Hornsey, Bordia, & Esposito, 2008). In

addition, breach involves a loss of something expected and a loss of trust (Robinson, 1996). Actually, previous studies have found that breach is associated with low levels of trust (Deery, Iverson, & Walsh, 2006; Robinson, 1996)

Perceived organizational support (POS) has been defined as employees' "global beliefs concerning the extent to which the organization values their contributions and cares about their well-being" (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p.501). POS has been examined both as a breach antecedent (Dulac et al., 2008) and moderator (Conway & Coyle-Shapiro, 2012; Suazo & Stone-Romero, 2010) and the results confirmed both predictions. Moreover, research points to a negative relationship between breach and POS (e.g., Coyle-Shapiro & Conway, 2005).

Liden and Maslyn (1998) defined leader-member exchange (LMX) as perceptions of quality of the interpersonal social exchange relationship between a leader (supervisor) and a particular employee (subordinate). It is considered to be both transactional and transformational because it evolves from a transactional into transformational type of social exchange (Graen & Uhl-Bien, 1995.). High quality LMX relationships are characterized by high trust, respect and commitment (Liden & Maslyn, 1998). Research indicates a negative relationship between breach and LMX (e.g., Ng, Feldman, & Butts, 2014).

Procedural justice refers to the fairness in the organizational processes, procedures and rules, such as promotions or budget allocations (Cohen & Spector, 2001). Previous studies reported a negative relationship between procedural justice and breach (Turnley & Feldman, 1999) as fair treatment diminishes the negative responses to breach.

Job satisfaction is a positive evaluation about one's job or job situation (Locke, 1976; Weiss, 2002) and can be dispositional, affective or cognitive (Organ, 1989). Job satisfaction involves judgments of one's job characteristics and its comparison with other individuals (Williams & Anderson, 1991). The negative impact of breach on job satisfaction is well document in the literature (Coyle-Shapiro & Kessler, 2000; Tekleab et al., 2005).

Turnover intention is the subjective likelihood of an employee to leave an organization and also indicates the attachment to the organization (Zhao et al., 2007). These intentions are a common response to negative events at workplace (Lum et al., 1998). Therefore, when a breach occurs, employees will think about leaving the organization (Stoner et al., 2011).

Based on the previous arguments, we propose:

*Hypothesis 1:* Psychological contract breach is negatively related to: (a) affective organizational commitment; (b) organizational trust; (c) perceived organizational support; (d) leader-member exchange; (e) procedural justice; (f) job satisfaction; and positively related to g) turnover intentions.

### **Psychological Contract Breach and Employees' Affect, Emotions, and Health**

Affective responses are the emotional experiences that follow a relevant workplace event (Zhao et al., 2007). Affect is defined as a neurophysiological state accessible to consciousness (Russell, 2009), whereas emotions are defined as episodic and a "complex set of interrelated sub-events concern[ed] with a specific object" (Russell & Barrett, 1999, p.806). Employees often engage in emotional reactions as a



consequence of specific events and these reactions directly impact attitudes and behaviors (Weiss & Cropanzano, 1996). Specifically, breach is viewed as an event that evokes negative reactions (e.g., Bal & Smit, 2012; Zhao et al., 2007).

Recurrently the terms “breach” and “violation” are used interchangeably. However, Morrison and Robinson (1997) distinguished between psychological contract breach and violation. The former is the cognitive evaluation and the latter the emotional reaction. Violation is a consequence of psychological contract breach and entails anger, frustration and disappointment (Morrison & Robinson, 1997). Empirical evidence supported those predictions as violation mediates the relationship between breach and attitudes and behaviors (Robinson & Morrison, 2000; Raja, Johns, & Ntalianis, 2004).

Negative affect has been defined as “a general dimension of subjective distress and unpleasurable engagement that subsumes a variety of aversive mood states, including anger, contempt, disgust, guilt, fear, and nervousness” (Watson, Clark, & Tellegen, 1988). According to AET, workplace events provoke emotional reactions that explain consequent behaviors (Weiss & Cropanzano, 1996; Zhao et al., 2007). Moreover, frequent and repeated affective events and states contribute to producing attitudes or mindsets that describe one’s overall employee-organization relationship (Guerrero & Herrbach, 2008). Therefore, psychological contract breach is related to affect because both are associated with job characteristics and experiences.

Emotional well-being occurs when individuals have the resources they need to meet a specific challenge (Dodge, Daly, Huyton, & Sanders, 2012). Resources and challenges can be psychological, social or physical. Although there is limited research on the relationship between breach and emotional well-being, it seems that the breach impacts negatively employees’ emotional well-being (Cassar & Buttigieg, 2015).

We hypothesize that:

*Hypothesis 2:* Psychological contract breach is positively related to: (a) violation; and (b) and negative affect; and negatively related to (c) emotional well-being.

Health can be defined as “a complete state of physical, mental, and social well-being and not merely the absence of disease” (World Health Organization, 1948). Although research linking psychological contract to health is still scarce, some researchers referred psychological contract as an aspect of the employment relationship that promotes employee well-being (Coyle-Shapiro & Shore, 2007). Health is often operationalized in terms of burnout (Maslach, Schaufeli, & Leiter, 2001). Past research shows that when breach occurs, employees’ health is negatively affected (e.g., Gakovic & Tetrick, 2003)

Burnout entails three components: emotional exhaustion, depersonalization and diminished personal accomplishment (Maslach, 1982; Maslach & Jackson, 1981). Emotional exhaustion has been defined as the extent to which employees feel emotional overwhelmed and drained by their work (Leiter & Maslach, 1988; Wilk & Moynihan, 2005). Depersonalization or dehumanization has to do with treating others like objects and being cynical about events and others. The third component is depicted as a negative evaluation of oneself, such as being incompetent (Cordes & Dougherty, 1993). Maslach et al. (2001) stated that breach acts as an individual stressor as it disrupts the norm of reciprocity and rises gaps between employees and the environment. Moreover, when the contract is not fulfilled, employees may perceive reduced predictability and control, which is stressful (Gakovic & Tetrick, 2003; Shore & Tetrick, 1994).

The most significant dimension of burnout is emotional exhaustion (e.g., Maslach & Jackson, 1981) as it precedes the other dimensions (Toppinen-Tanner, Kalimo, & Mutanen, 2002); therefore, it is key for the burnout process. Moreover, when linking breach to stress, researchers often operationalized stress in terms of emotional exhaustion (Gakovic & Tetrick, 2003; Lapointe, Vandenberghe, & Boudrias (2013). Therefore, we propose:

*Hypothesis 3:* Psychological contract breach is positively related to: (a) emotional exhaustion; and (b) burnout.

### **Psychological Contract Breach and Work-related Behaviors**

Behaviors are more tangible than attitudes and emotions. Work-related behaviors are employees' actions or activities that are observable and measurable directly (Myers, 2013). From an organizational point of view, work behaviors can be identified as desirable and undesirable (Luthans & Kreitner, 1985). Desirable or positive work-related behaviors include in-role performance, organizational citizenship behavior, loyalty, and voice. On the other hand, undesirable or negative work-related behaviors comprise deviant behaviors, neglect, and actual turnover. Behavioral responses to breach involve an attempt to establish a balance in the exchange relationship (Thomas, Au, & Ravlin, 2003). In this sense, when an employee perceives a breach, he/she may change work behaviors in order to balance the relationship between his/her inputs and the organization's contributions. In other words, one may reduce desirable behaviors and increase negative behaviors as a response to breach.

Task performance or in-role behavior has been defined as the effectiveness with which employees perform their activities and contribute directly to the organization's technical core (Borman & Motowidlo, 1993). Organizational citizenship behavior (OCB) represents "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization" (Organ, 1988, p.4). It is also defined as extra-role behavior (Bateman & Organ, 1983) or contextual performance (Borman & Motowidlo, 1993). According to Katz and Kahn (1978), organizational functioning requires employees to perform their tasks, but also to engage in behaviors that go beyond the formal contract obligations. Research shows that when employees perceive a breach, they will reduce their task performance and OCBs (Restubog et al., 2006; Bal, Chiaburu & Jansen, 2009).

Loyalty is the continuous support to the organization while expecting that everything will be fine in the end (Rusbult, Farrel, Rogers, & Mainous III, 1988; Naus, Van Iterson, & Roe, 2007). A loyal employee stays in the organization despite adversities (Borman, Penner, Allen & Motowidlo, 2001). In cases of breach, employees will tend to lower their loyalty to the organization (e.g., Robinson & Rousseau, 1994).

Voice is defined as the intentional expression of relevant ideas, information, and opinions about possible improvements (LePine & Van Dyne, 1998; Rusbult et al., 1988; Zhou & George, 2001). This is named prosocial voice because it is a positively intended behavior. Therefore, voice is proactive and oriented to others (e.g., the organization) (Van Dyne, Ang, & Botero, 2003). In this sense, when a breach occurs, employees will tend to not speak up because employees may question the future of the exchange relationship (Vantilborgh, 2014).

Therefore, we suggest:

*Hypothesis 4:* Psychological contract breach is negatively related to (a) in-role performance; (b) OCBs; (c) loyalty behaviors; and (d) voice behaviors.

Negative work-related behaviors can take different forms, such as theft, fraud, absenteeism, physical, and verbal aggression, among others (Marcus & Schuler, 2004). Those behaviors are predictably harmful for the organization.

Workplace deviance is a “voluntary behavior that violates significant organizational norms and in so doing threatens the well-being of an organization, its members, or both (Robinson & Bennet, 1995, p.556). As predicted by social exchange theory, employees react to breach in a negative fashion (Rousseau, 1995) Therefore, when a breach occurs, employees will engage in deviant behaviors to punish the organization (Bordia, Restubog, & Tang, 2008).

Neglect is a passive response from employees that allow the quality of the employment relationship to decline through decreased effort, increased absence or errors (Rusbult et al., 1988). In cases of psychological contract breach, the employee may neglect his/her work in order to balance the relationship (Blau, 1964; Zhao et al., 2007).

Actual turnover indicates whether or not an individual left the organization. Theoretically, breach is an antecedent of turnover because it represents a starting point in quitting a job (Lee & Mitchell, 1994). Research shows a clear relationship between breach and turnover intentions (i.e., attitude), however support for the relationship between breach and actual turnover (i.e., behavior) have been mixed as some studies found a positive correlation and other studies found a non-significant

one (Clinton & Guest, 2014). For instance, Bunderson (2001) found a positive association, while Sturges and colleagues (2005) found no association between breach and turnover. Meta-analytic results presented an overall non-significant effect (Zhao et al., 2007).

Based on the aforementioned findings, we propose that:

*Hypothesis 5:* Psychological contract breach is positively related to: (a) workplace deviance; (b) neglect; and (c) actual turnover.

### **Rating type as moderator**

The majority of studies on psychological contract breach and behaviors are based on self-reported measures. The main problem is the egocentric bias, i.e., the ratee has a tendency to enhance his/her evaluation (Harris & Schaubroeck, 1988). Self-enhancement theory (Shrauger, 1975) helps explain the bias associated with self-ratings. This theory claims that individuals are motivated to maintain and protect a positive self-concept, reduce their negative self-image (Sedikides, Skowronski, & Gaertner, 2004), and present themselves in a valuable manner (Leary, 1995). In fact, self-protection is an individual priority given that negative aspects are usually stronger than positive ones (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001). It is also assumed that positive self-enhancing illusions are more relevant than the accuracy in the process (Taylor, 1989). In addition, it is important to notice that self-enhancement is likely to happen in domains that do matter (Sedikides, Gaertner, & Toguchi, 2003), such as performance evaluations.

Based on the aforementioned arguments, we propose that, when a breach occurs, an individual tends to enhance and protect him/herself, providing biased evaluations, in which performance, OCBs and deviant behaviors will not be so negatively affected by unfulfilled promises and expectations. However, supervisors' ratings will less likely suffer from this bias, and therefore the relationship between breach and behaviors should be stronger. Similar effects have been found in past research. For instance, a perceived organizational politics' meta-analysis showed a negative relationship with performance when rated by supervisors, but a non-significant one when self-rated (Miller, Rutherford, & Kolodinsky, 2008). In addition, Judge and colleagues (2006) found a negative relationship between narcissism and performance (both task and contextual) when rated by others, but a positive relationship when self-rated (Judge, LePine, & Rich, 2006). Harris, Kacmar, and Zivnuska (2007) also reported a negative relationship between abusive supervision and leader performance rating, but a non-significant relationship when rated by employees.

Therefore, we propose that:

*Hypothesis 6:* The negative correlation between breach and (a) task performance and (b) OCBs and a positive correlation with (c) deviance is weaker when both variables are reported by the employee than when performance ratings come from other source (supervisor or records).

## **Culture as Moderator**

Hofstede (1980, 2001) defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (p.9). National culture shapes how individuals receive and process information from the environment (Shaw, 1990). It is important to notice that culture “is neither genetic nor about individual behavior” (Thomas, Au, & Ravlin, 2003). However, it shapes the way individuals act and interact (Hofstede, 2001).

There are two perspectives concerning national culture. On the one hand, the traditional approach states that each individual value (i.e., power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance, long-term orientation-short-term orientation; Hofstede, 1980, 2001) separately predicts attitudes and behaviors. On the other hand, culture is approached as a combination of dimensions as they tend to occur simultaneously (Triandis, 1995). Triandis and colleagues (Singelis, Triandis, Bhawuk, & Gelfand, 1995; Triandis, 1995; Triandis & Gelfand, 1998) found that national cultures that are higher in collectivism are also higher in power distance (vertical-collectivism) and cultures that are higher in individualism are also lower in power distance (horizontal-individualism).

According to Triandis (1995), individualism and collectivism are the most useful and powerful dimensions of culture values as they explain different social behaviors. The former is defined as a “tendency to view one’s self as independent of others and to be more concern about consequences of behavior for one’s personal goals” (Thomas et al., 2003, p.455). The latter is seen as a tendency to be interdependent, be concerned with others and about consequences for the goals of the



in-group, but also to be more willing to sacrifice the personal goals for the group (Thomas et al., 2003).

Applying these arguments to practice, employees with an individualistic orientation are more likely to respond to a breach in a more negative fashion as they are concerned with their own interests. On the other hand, employees with a collectivistic orientation are generally motivated to restore balance in the relationship with the organization (Gouldner, 1960), but this reaction is more likely to take into account the other party's (i.e., organization) interests.

Power distance is the second cultural value that may play an important role in explaining the reactions to psychological contract breach. Power distance is defined as "the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally" (Hofstede, 1980, p.45). It is assumed that in high power distance cultures, the negative treatment from powerful entities is accepted and usual (Hofstede, 1980). The focus on power distance helps to understand how less powerful entities cope with the decisions of more powerful entities (Zagenczyk et al., 2015, p.855).

Most research so far has largely ignored the impact of culture. It is possible to find some exceptions, such as the work developed by Kickul, Lester and Belgio (2004). These researchers compared the attitudinal and behavioral outcomes of breach in USA and Hong Kong Chinese samples. They found that employees from both cultures differed in psychological contract importance and breach. "Specifically, the American workers placed higher importance and perceived less breach of both intrinsic and extrinsic psychological contract outcomes than the Hong Kong employees" (p. 229)

Based on the aforementioned arguments, it is less likely that a breach in psychological contract affects strongly the negative relationship in high power distance cultures. Combining the individualism-collectivism and power distance into the cultural values configurations (Triandis, 1995), we suggest that:

Hypothesis 7: The correlations between psychological contract breach and (a) affective organizational commitment, (b) organizational trust (c) POS, (d) LMX, (e) procedural justice, (f) job satisfaction, (g) turnover intentions, (h) violation, (i) affective well-being, (j) negative affect, (k) burnout, (l) emotional exhaustion, (m) in-role performance, (n) OCB, (o) voice, (p) loyalty, (q) deviance, (r) neglect, (s) actual turnover are stronger in horizontal-individualistic countries than in vertical-collectivist countries.

## **Method**

### **Literature Search**

We used a number of different methods to identify both published and unpublished studies to include in this meta-analysis. First, we conducted an extensive bibliographic search of electronic databases, such as PsycINFO (1989-2015), Google Scholar, Ebsco, Pro Quest Dissertations, EThOS e-theses online services, Open Access Theses and Dissertations (OATD) and Medline. To be inclusive, we conducted a broad search using the terms *psychological contract breach*, *psychological contract violation*, *psychological contract fulfillment*, *perceived/felt breach*, *perceived/felt violation*, *broken promises*. Sometimes an electronic search misses relevant studies, thus we supplemented this approach with a manual search of

journals that often publish psychological contract research: Academy of Management Journal, Journal of Applied Psychology, Personnel Psychology, Journal of Organizational Behavior, Human Relations, Journal of Management, Organization Science, British Journal of Management, and Journal of Occupational and Organizational Psychology. In addition, we also checked the reference sections of the prior meta-analyses (Bal et al., 2008; Zhao et al, 2007) and the online programs of the Academy of Management (2005-2014), Society of Industrial and Organizational Psychology (2005-2014), and European Association Work and Organizational Psychology (2007-2013) conferences. Then, we sent emails to authors who published psychological contract studies requesting their unpublished studies or conference papers. We considered studies published in English, French, Spanish and Portuguese. All other languages were excluded due to authors' language abilities. The literature search was finalized in April 2015.

### **Inclusion Criteria**

In the first screening, we excluded practitioner articles and manuscripts that did not report any of the outcomes of interest. For a study to be included in the final meta-analysis, it had to meet the following criteria: a) be a quantitative study; b) provide the zero-order correlations or equivalent between the measures of psychological contract breach and (at least) one of the outcomes; c) provide a one-dimensional measure of PCB and PCF as these terms have been used interchangeably (except for the effect sign); d) be academic oriented; e) working population samples. Our final database included a total of 155 studies (119 published articles, 8

unpublished articles and 28 theses), 163 independent samples, conducted in 30 countries. Total sample size is 51,244.

### **Coding of Studies**

We were interested in the psychological contract breach studies and its relationships with several attitudes (i.e., job satisfaction, affective commitment, trust), behaviors (i.e., task performance, workplace deviance, organizational citizenship behaviors) and health (i.e., burnout). The first author coded each study in terms of PCB's measure, outcomes, sample size, effect size, reliabilities, and variances. The other two authors verified the coding. For any disagreement, the authors discussed among themselves until they reached a consensus.

In the cases of multiple independent samples in the same study, we included effect sizes from each sample. In addition, we removed duplicate samples reported in two or more publications.

### **Meta-Analytic Procedure**

We followed Hunter and Schmidt's (2004) and Lipsey and Wilson's (2001) meta-analytic methods and procedures to estimate the population correlations between psychological contract breach and its correlates. The combination of both techniques allows for psychometric corrections, moderator analysis, and meta-regressions. We examined our data using the random-effects meta-analysis because it allows the variation of parameters across studies and the estimation of that variance. Our meta-analytic results include a weighted mean estimate of the correlations ( $r$ ), which is

each study's correlation weighted by its sample size, and the statistical significance of these correlations, which is given by the 95% confidence interval around the point estimate (Whitener, 1990). We also indicate heterogeneity statistics ( $Q$  and  $I^2$ ). The  $Q$  statistic indicates the presence or absence of heterogeneity and the  $I^2$  index quantifies such heterogeneity (Huedo-Medina, Sanchez-Meca, Marin-Martinez, & Botella, 2006). A  $I^2$  of more than 75% represents a high level of heterogeneity (Higgins, Thompson, Deeks & Altman, 2003). These statistics represent whether or not the test of moderators is meaningful.

In addition, we report the number of studies ( $k$ ), the cumulative sample size ( $N$ ), corrected correlations for unreliability ( $\rho$ ), its standard deviation ( $SD\rho$ ), the 80% credibility intervals and percentage of variance in  $\rho$  explained by study artifacts. The corrected correlations were calculated using the reliability estimate provided in each study. When reliabilities were not reported in the primary studies, we calculated the weighted mean reliability estimate and replaced the missing values. The standard deviation of the corrected correlations offers an index of the variation in study results for a given relationship. The credibility interval includes 80% of the values in the  $\rho$  distribution within it (Hunter & Schmidt, 2004). The percentage of variance explained by artifacts provides the variation in the results produced by unreliability, sampling error and other study artifacts. This index also detects the existence of moderator variables. Specifically, moderators are likely to be present if this percentage does not account for at least 75% (Hunter & Schmidt, 2004) or 60% (Mathieu & Zajac, 1990).

Finally, we reported the fail safe  $k$  value because literature searches have limitations and some studies may be missing from our database. A fail safe  $k$  is the number of non-significant, unpublished or missing studies that would be needed to decrease the significant observed values to non-significant. A large number means

that one can be confident about the statistical significance of the results (Rosenberg, 2005).

## Results

Meta-analytic correlations between psychological contract breach and outcomes are presented in Table 16. We used the typology of effect sizes put forth by Cohen, Cohen, West, and Aiken (2003), in which a .10 correlation is weak, a .30 is moderate, and .50 is strong.

Regarding hypotheses 1(a) to 1(f), in which we examined the negative relationship between psychological contract breach and work attitudes and social exchange variables, the meta-analytic results indicated a moderate negative correlation between breach and affective commitment and LMX ( $\rho = -.48$ ;  $\rho = -.44$ , respectively). Organizational trust, POS, procedural justice, and job satisfaction presented a strong negative correlation with breach ( $\rho = -.62$ ;  $\rho = -.64$ ;  $\rho = -.50$ ,  $\rho = -.57$ , respectively). Concerning the positive relationship between breach and turnover intentions, the meta-analytic results pointed for moderate positive correlation ( $\rho = .43$ ).

Hypotheses 2a to 2c suggested a relationship between breach and emotions/affects. Psychological contract breach had a strong positive correlation with violation ( $\rho = .69$ ) and a strong negative correlation with emotional well-being ( $\rho = -.55$ ). Regarding negative affect, the meta-analytic correlation was not statistical significant as the 95% confidence interval and 80% credibility interval both included zero.

Table 16 - Meta-Analytic Summary of Psychological Breach and its Correlates

Correlate	<i>k</i>	N	<i>r</i>	95%CI	$\rho$	SD $\rho$	80%CV	V <sub>art</sub> (%)	<i>Q</i>	<i>I</i> <sup>2</sup>	Fail safe <i>k</i>
Attitudes & Social Exchange											
Affective Commitment	55	18176	-.38	[-.42, -.32]	-.48	.12	[-.64, -.32]	16.75	805.98**	93.30	3416
Organizational Trust	20	9456	-.54	[-.60, -.48]	-.62	.10	[-.76, -.46]	13.81	189.87**	89.99	9556
POS	25	6016	-.55	[-.62, -.47]	-.64	.22	[-.93, -.55]	4.95	431.30**	94.44	5696
LMX	16	4539	-.42	[-.51, -.31]	-.44	.25	[-.76, -.11]	5.32	266.69**	94.38	3264
PJ	12	4009	-.43	[-.53, -.32]	-.50	.22	[-.79, -.21]	5.53	185.66**	94.08	2357
Job Satisfaction	42	13158	-.47	[-.52, -.41]	-.57	.19	[-.81, -.33]	6.89	539.17**	92.40	9768
Turnover Intentions	50	15153	.27	[.19, .35]	.43	.21	[.16, .69]	7.71	1366.62**	96.42	4512
Affect, Emotions & Health											
Violation	19	4647	.63	[-.56, -.69]	.69	.15	[.49, .88]	8.76	229.52**	92.16	874
Emotional Well-being	4	2760	-.44	[-.48, -.40]	-.55	.02	[-.57, -.52]	81.71	4.31	30.45	524
Negative Affect	3	766	.02	[-.20, .23]	-.03	.16	[-.23, .17]	17.51	17.37**	88.49	0
Emotional Exhaustion	7	2594	.34	[.27, .41]	.39	.08	[.28, .49]	31.18	19.05**	68.50	502
Burnout	4	1036	.27	[.08, .44]	.36	.15	[.17, .55]	15.36	25.16**	88.08	83

<b>Behaviors</b>												
Task Performance	28	8097	-.23	[-.29, -.16]	-.22	.16	[-.43, -.02]	14.05	206.21**	86.91	2369	
OCB	46	12129	-.24	[-.27, -.20]	-.26	.13	[-.43, -.09]	22.63	215.58**	79.13	6968	
Loyalty	7	2250	-.23	[-.42, -.02]	-.29	.29	[-.65, .07]	4.92	143.35**	95.81	195	
Voice	8	3168	-.15	[-.26, -.04]	-.24	.17	[-.46, -.02]	10.84	67.14**	89.57	174	
Deviance	19	4493	.27	[.20, .33]	.33	.06	[.25, .41]	57.42	95.72**	81.20	1442	
Neglect	7	2323	.13	[-.08, .33]	.12	.30	[-.26, .51]	4.92	146.30**	95.90	43	
Actual Turnover	7	6808	.06	[-.03, .14]	.11	.04	[.06, .16]	48.81	28.31**	75.27	27	

Note.  $r$  = uncorrected meta-analytic correlation; CI = confidence interval around uncorrected population correlation;  $\rho$  = corrected meta-analytic correlation;  $SD\rho$  = standard deviation of corrected meta-analytic correlation; CV = credibility interval;  $V_{\text{art}}(\%)$  = percentage of variance in  $r_c$  explained by study artifacts.



Concerning hypothesis 3a and 3b, we proposed a positive relationship between breach and employees' health (i.e., burnout and emotional exhaustion). Meta-analytic correlations supported those predictions ( $\rho = .39$  and  $\rho = .36$ , respectively).

Hypotheses 4a to 4d proposed to examine the relationship between breach and positive behavioral outcomes. We found a weak to moderate negative correlation between breach and task performance, OCB, loyalty, and voice ( $\rho = -.22$ ;  $\rho = -.26$ ;  $\rho = -.29$ ;  $\rho = -.24$ , respectively). Regarding hypotheses 5a to 5c, deviance, neglect, and actual turnover were positively correlated with breach ( $\rho = .33$ ;  $\rho = .12$ ;  $\rho = .09$ , respectively). The 80% CV and 95% CI for neglect and loyalty includes zero, which makes both correlations non-significant.

$I^2$  values show that all variables, except emotional well-being, presented high levels of heterogeneity, which indicates that moderator analysis is recommended.

### **Moderator analysis: Rating type**

Hypothesis 6 proposed that the relationship between breach and task performance, OCBs, and deviant behaviors would be weaker when rated by employees. The results in Table 17 demonstrated significant differences in terms of task performance ( $F=4.54$ ,  $p<.05$ ) and deviant behaviors ( $F=10.42$ ,  $p<.01$ ). Specifically, the meta-analytic correlation between psychological contract breach and employees' task performance was stronger when reported by supervisors ( $\rho = -.32$ ) than by employees ( $\rho = -.19$ ). For deviant behavior, the meta-analytic correlation was stronger when reported by the self ( $\rho = .35$ ) than by supervisors ( $\rho = .26$ ). For OCBs, there were no significant differences ( $F=0.94$ ,  $ns$ ).

Table 17 - Moderator Analysis: Behavioral Outcome Source

Behavioral Outcome	<i>k</i>	<i>N</i>	<i>r</i>	95% CI	$\rho$	SD $\rho$	80%CV	Anova
Task Performance								
Self-reported	12	4516	-.18	[-.22, -.13]	-.19	.04	[-.24, -.14]	<b>4.54*</b>
Supervisor /Other	13	3136	-.30	[-.30, -.39]	-.32	.17	[-.54, -.10]	
Records/Hard Measure	2	297	.08	[-.50, .61]	-.35	.00	[-.35, -.35]	
OCB								
Self-reported	24	7140	-.23	[-.27, -.18]	-.24	.13	[-.40, -.08]	0.94
Supervisor/Other	21	4989	-.25	[-.33, .17]	-.28	.15	[-.47, -.08]	
Deviant Behaviors								
Self-reported	10	2264	.30	[.24, .36]	.35	.07	[.26, .44]	<b>10.42**</b>
Supervisor	8	2134	.20	[.06, .32]	.26	.04	[.21, .31]	

*Note.* *r* = uncorrected meta-analytic correlation; CI = confidence interval around uncorrected population correlation;  $\rho$  = corrected meta-analytic correlation; SD $\rho$  = standard deviation of corrected meta-analytic correlation; CV = credibility interval. \*\* *p*<.01; \**p*<.05; †*p*<.10

## **Moderator analysis: Cross-cultural differences in responses to psychological contract breach**

Hypothesis 7 suggested that employees in horizontal-individualistic cultures would show a stronger (negative and positive) relationship between PCB and a variety of outcomes<sup>2</sup> than employees in vertical-collectivism societies. In terms of attitudinal outcomes, results showed that the negative relationship between PCB and affective commitment was stronger in horizontal-individualistic ( $\rho_{HI} = -.50$ ) than in vertical-collectivist ( $\rho_{VC} = -.42$ ) cultures ( $t=2.65$ ,  $p<.01$ ). In terms of social exchanges, only differences in relation to organizational trust were significant, showing that PCB had a stronger relationship with trust in horizontal-individualistic ( $\rho_{HI} = -.63$ ) than in vertical-collectivism ( $\rho_{VC} = -.52$ ) cultures ( $t= 1.73$ ,  $p<.10$ ). The other attitudinal outcomes presented no significant differences between cultural configurations.

Regarding behavioral outcomes, the results showed significant differences in terms of deviant behaviors and neglect. Accordingly, the relationship between PCB and deviant behaviors was stronger in horizontal-individualistic ( $\rho_{HI} = .35$ ) than in vertical-collectivism ( $\rho_{VC} = .32$ ) cultures ( $t= -8.39$ ,  $p<.01$ ). Concerning neglect, results also indicated a tendency for a stronger relationship in horizontal-individualistic ( $\rho_{HI} = .31$ ) than in vertical-collectivism ( $\rho_{VC} = -.05$ ) cultures ( $t= 1.99$ ,  $p<.10$ ). For loyalty, results demonstrated the same pattern, that is, a stronger negative relationship in horizontal-individualistic ( $\rho_{HI} = -.44$ ) than in vertical-collectivist ( $\rho_{VC} = .01$ , *ns*)

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<sup>2</sup> We had to exclude several variables due to low case numbers.

countries ( $t=-2.80$ ,  $p<.01$ ). Please see table 18 for all results regarding cross-cultural differences.

Table 18 - Results of Moderators Analysis of National Culture on Relationships between Psychological Breach and Correlates

Correlate	<i>k</i>	<i>k<sub>e</sub></i>	<i>N</i>	<i>r</i>	95% CI	<i>ρ</i>	SD <i>ρ</i>	80%CV	<i>t test</i>
<b>Attitudes &amp; Social Exchange</b>									
Affective Commitment									
Horizontal Individualism	37	9	12753	-.39	[-.45, -.32]	-.50	.10	[-.63, -.38]	<b>2.65**</b>
Vertical Collectivism	18	12	5423	-.34	[-.43, -.26]	-.42	.16	[-.62, -.22]	
Organizational Trust									
Horizontal Individualism	14	6	8755	-.58	[-.64, -.51]	-.63	.09	[-.74, -.52]	<b>1.73†</b>
Vertical Collectivism	6	5	701	-.44	[-.59, -.25]	-.52	.20	[-.77, -.27]	
POS									
Horizontal Individualism	17	4	3870	-.58	[-.66, -.48]	-.65	.26	[-.98, -.32]	-0.29
Vertical Collectivism	7	7	1989	-.48	[-.59, -.34]	-.62	.14	[-.80, -.44]	
LMX									
Horizontal Individualism	9	2	2402	-.35	[-.55, -.10]	-.43	.12	[-.59, -.27]	0.08
Vertical Collectivism	7	3	2137	-.42	[-.52, -.32]	-.44	.33	[-.87, -.01]	
Procedural Justice									
Horizontal Individualism	8	2	2308	-.41	[-.56, -.21]	-.47	.28	[-.35, -.09]	-0.55
Vertical Collectivism	4	4	1701	-.47	[-.54, -.40]	-.55	.05	[-.62, -.49]	
Job Satisfaction									

Turnover Intentions	Horizontal Individualism	36	7	11862	-.49	[-.54, -.43]	-.58	.19	[-.82, -.34]	1.11
	Vertical Collectivism	6	5	1173	-.39	[-.54, -.22]	-.49	.21	[-.76, -.21]	
Affect, Emotions & Health Violation	Horizontal Individualism	34	7	10742	.24	[.14, .33]	.41	.22	[.13, .70]	-0.85
	Vertical Collectivism	16	9	4411	.33	[.18, .48]	.46	.18	[.24, .69]	
Emotional Exhaustion	Horizontal Individualism	11	5	2722	.64	[.55, .72]	.68	.17	[.46, .89]	-0.28
	Vertical Collectivism	8	5	1925	.60	[.50, .69]	.70	.12	[.54, .86]	
Behaviors	Horizontal Individualism	3	2	540	.33	[.17, .48]	.36	.12	[.19, .53]	-0.59
	Vertical Collectivism	4	3	2054	.35	[.27, .43]	.40	.06	[.32, .47]	
Task Performance	Horizontal Individualism	21	5	6490	-.19	[-.26, -.12]	-.23	.11	[-.37, -.09]	0.55
	Vertical Collectivism	7	3	1607	-.31	[-.44, -.17]	-.18	.29	[-.57, -.17]	
OCB	Horizontal Individualism	27	7	7585	-.21	[-.27, -.16]	-.24	.13	[-.41, -.07]	-1.06
	Vertical Collectivism	19	9	4544	-.27	[-.33, -.21]	-.28	.12	[-.44, -.12]	

Loyalty									
Horizontal Individualism	5	2	1472	-.29	[-.43, -.15]	-.44	.15	[-.63, -.25]	<b>-2.80**</b>
Vertical Collectivism	2	2	778	-.09	[-.53, .39]	.01	.28	[-.36, .34]	
Voice									
Horizontal Individualism	6	3	2390	-.12	[-.27, .03]	-.22	.19	[-.47, .03]	-0.64
Vertical Collectivism	2	1	778	-.24	[-.31, -.17]	-.31	.00	[-.31, -.31]	
Deviant Behaviors									
Horizontal Individualism	8	3	2023	.30	[.25, .34]	.35	.00	[.35, .35]	<b>-.8.39**</b>
Vertical Collectivism	11	6	2470	.25	[.14, .36]	.32	.01	[.20, .44]	
Neglect									
Horizontal Individualism	3	2	1201	.24	[.18, .29]	.31	.00	[.31, .31]	<b>1.99†</b>
Vertical Collectivism	4	2	1122	.06	[-.28, -.39]	-.05	.34	[-.49, .38]	

**Some variables excluded due to low case numbers**

Note.  $r$  = uncorrected meta-analytic correlation; CI = confidence interval around uncorrected population correlation;  $\rho$  = corrected meta-analytic correlation; SDP = standard deviation of corrected meta-analytic correlation; CV = credibility interval. \*\*  $p < .01$ ; \*  $p < .05$ ; †  $p < .10$

## **Discussion**

Our study synthesized previous empirical findings from 163 independent samples in terms of psychological contract breach and its correlates. These correlates included 20 variables and were divided into three categories: attitudes and social exchange; affect, emotion and health; and, work-related behaviors. We also examined whether the magnitude of the relationship between breach and behavioral outcomes depends on the rating type (self vs others ratings/records). In addition, we tested whether the cultural configurations shape the relationship between breach and its correlates. Specifically, we offered insights about how national culture explains employees' responses to psychological contract breach.

Our findings partially supported our hypotheses. Meta-analytic correlations showed that 17 of the 20 psychological contract correlates were significant, which is aligned with our predictions. Thus, results indicated the importance of psychological contract breach in predicting employees' attitudes, emotions, health, and behaviors. Specifically, in the attitudes and social exchange category, all variables were moderately to strongly associated with breach. In the affect, emotions and health category, both affect and health were related to breach. Lastly, behaviors were also related to breach, but weakly. These pattern of results are aligned with previous meta-analyses by Zhao et al. (2007) and Bal et al. (2008). We also shed light in the relationship between breach and other outcomes, such as POS, LMX, procedural justice, emotional well-being, negative affect, emotional exhaustion, burnout, loyalty, voice, deviance, and neglect.



Our pattern of results can be explained by the macro structure of AET (Weiss & Cropanzano, 1998), which postulates that after a work event follows an affective reaction, then an attitude and finally the behavior. Therefore, it makes sense to have a stronger relationship between breach, emotions and attitudes.

In the moderation analysis of rating type, we found that the correlation between breach and behavioral outcomes tended to be weaker when the evaluation was provided by the employee (self) compared with evaluations provided by others (supervisor or records). According to self-enhancement theory (Shrauger, 1975), individuals will enhance their own evaluation in important matters (Sedikies et al., 2004), such as in role performance evaluations, thus rating their performance highly regardless of the context (high breach). A curious finding is related to the relationship between breach and deviant behaviors. In this case, the relationship is stronger when rated by the self in comparison with the supervisor rating. This can be explained by the fact that deviance represents an intentional action against the organizational norms and harmful to organizational functioning (Bennett & Robinson, 2000), therefore employees will try to hide this set of behaviors from others. In other words, while they rate their deviant behaviors as low regardless of context, they also conceal these behaviors from their supervisors as they are detrimental for the organizational. These moderation effects can be explained by individuals' self-enhancement and self-protective motivations (Shrauger, 1975).

Results from the moderation analysis of culture also provided valuable insights about how culture may shape reactions to psychological contract breach. Overall, our findings indicated that members of both cultural configurations react negatively to psychological contract breach, which is aligned with the norm of reciprocity (Gouldner, 1960) and the social exchange theory (Blau, 1964). However,

we did find some differences in reactions to psychological contract breach, not in terms of direction, but in intensity.

Regarding the attitudes and social exchange category, the relationships between breach and job satisfaction, turnover intentions, LMX, POS and procedural justice were not different across cultures. Interestingly, we found significant differences in terms of affective commitment and organizational trust. Specifically, the relationship was stronger for members of horizontal-individualistic than for members of vertical-collectivistic cultures, i.e., they lowered their commitment and trust in a greater extent as a response to breach. In other words, the relationship with the organization is less damaged in vertical-collectivistic cultural configurations. A feature of this cultural configuration that may help to explain the less negative reactions in terms of trust is personalism. According to Redding (1990), personalism entails high importance on trust, harmonious relations, conflict avoidance, and maintenance of a “good face”. The latter point “means to stay trustworthy and to honor obligations in one’s social and economic transactions” (Tan & Akhtar, 1998, p.313). Another explanation for these differences relies on the fact that members of vertical-collectivistic cultures are more interdependent and oriented to long-term relationships (Hofstede, 1980, 2001). In addition, perceptions of breach are more easily attributed to the organization by horizontal-individualistic than vertical-collectivistic members. The latter is more likely to attribute the breach to external factors (Thomas et al., 2003), therefore its impact on trust and commitment would be lower.

Concerning psychological contract violation and emotional exhaustion, we did not find any significant differences between cultural configurations. It appears that

emotional negative reactions that follow a breach does not depend on the members' culture.

Regarding the work-related behaviors category, positive behaviors (i.e., task performance, OCBs, and voice) did not differ according to cultural configurations. Loyalty is the exception as its relationship with breach was non-significant. Interestingly, we found significant differences in terms of negative behaviors, as members from horizontal-individualistic cultures react more negatively to breach in terms of deviant behaviors and neglect behaviors. Members of horizontal-individualistic cultures are more likely to retaliate against the organization as a way to restore balance in the relationship, because they expect reciprocity and they are less willing to tolerate deviations in the exchange relationship with the supervisor and organization (Lam, Schaubroeck, & Aryee, 2002). They are also more independent and not focused in long-term relationships (Hofstede, 1980), thus actively harming the organization might be an option. It is also common individualists reestablish the balance in the relationship through this type of behaviors (Thomas et al., 2003) because they are unlikely to keep an employment relationship in which they have more costs than benefits (Bhawuk, 2001) as they believe in their own ability to control their own destiny (Thomas et al., 2003). On the other hand, in vertical-collectivistic cultures, individuals value harmony and conflict avoidance (Redding, 1990; Thomas et al., 2003), which may explain the weaker relationship between breach and negative behaviors. Additionally, employees from vertical-collectivistic cultures tend to accept the unequal distribution within the organization (Rhoades & Eisenberger, 2002), therefore they would more easily accept this mistreatment.

Overall our findings regarding the moderating role of culture highlight the possible generalizability of psychological contract breach responses in direction rather than intensity.

### **Practical Implications**

Our meta-analysis has shown the negative impact of breach on several categories: attitudes and social exchange; affect, emotions, and health; and, behaviors. In this sense, managers should not make unrealistic promises because it may motivate in short-term, but it will have negative impact on the long-term (Zhao et al., 2007).

Our findings have also shown that some of those relationships are depended on the cultural configuration. When employees perceived a breach in their contract, they may respond to it in a negative fashion. Some of those reactions are stronger for members of horizontal-individualistic cultures. Organizations must be aware that fulfilling promises, expectations and obligations, employees' attitudes, behaviors, emotions and health are influenced, but this is also affected by their culture. Therefore, organizations should pay attention to employees' needs and expectations and understand that these factors may depend on their locations. This is especially important for multinational organizations that need to acknowledge the singular underlying motivations of employee work attitudes and behaviors in different contexts.

## **Limitations and Future Research**

A limitation of our study is that some of the analysis contained a small number of studies. For instance, there are few studies examining voice, neglect and loyalty, and health constructs. Future research should provide more evidence on these relationships. After this review, it was clear the lack of attention that has been given to individual differences in responses to breach, such as personality traits. Future research should consider the Big Five Personality model within the psychological contract domain (Orvis et al., 2008; Raja et al., 2011).

Another limitation has to do with methodological issues pertaining to the studies included in our analysis, such as design and self-reported measures. These issues were also pointed by Zhao et al. (2007) and Clinton and Guest (2014). Future research should take this information into consideration and try to replicate those findings using different designs and multiple sources of information.

Results from the moderating effects of national culture highlight that horizontal-individualistic culture members have a tendency to respond more negatively to a psychological contract breach. Based on this finding, future research should examine the content of psychological contracts (i.e., transactional, and relational) across different cultures. This is aligned with the recommendation put forth by Shore, Coyle-Shapiro, Chen and Tetrick (2009) which emphasizes the importance of content and processes of social exchanges in different cultures.

## **Conclusion**

We examined the relationships between psychological contract breach and twenty of its correlates. Our results are based on 163 independent samples from 30 countries. This meta-analysis provides insights about the generalizability of the direction of the responses to psychological contract breach and how culture may play an important role in explaining the intensity of some of these relationships. This meta-analysis also offers a more comprehensive lens on the reactions to psychological contract breach. In doing so, we hope to provide foundations for future research on psychological contract breach.

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## PART III

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## CHAPTER VI: GENERAL DISCUSSION AND CONCLUSIONS

Understanding employee-organization relationship is a key challenge for researchers and practitioners as it impacts individual and organizational outcomes. Psychological contracts are a form of understanding the employment relationship, especially in terms of developing a (un) favorable social exchange relationship. This process is not objective as it involves promises, mutual obligations and reciprocation. The idiosyncratic nature of contracts makes it difficult for organizations to understand and meet its requirements (Rousseau, 1995). Therefore, breaching the contract is the norm, not the exception (Robinson & Rousseau, 1994).

This research makes several contributions to the literature on psychological contracts, in general, and psychological contract breach, in particular. Our findings provide insights about the relationship between breach and a number of work-related constructs, extending and replicating prior research on the antecedents and consequences of breach. Additionally, potential avenues of research emerged during this research.

The **first key contribution** regards job insecurity as an **antecedent** of breach. Job insecurity can be a consequence of both external and internal environments, and it impacts how employees perceive psychological contract breaches. Therefore, a number of suggestions arise for managers. Managers should be aware that job insecurity prompts individuals to be more vigilant and monitor their contracts (Robinson & Morrison, 2007), and a close and frequent verification of psychological contract can lead to breach detection. Managers should also take action to prevent or alleviate high job insecurity and perceptions of breach, such as take care of what they

promise during the recruitment and selection process (e.g., realistic job preview; Wanous, 1973) as well as during the socialization process. Another action concerns formal communication: organizations need to be honest about their economic situation and explain any alterations to their employees.

A specific situation that is likely to increase perceptions of insecurity is organizational change, which is also considered a breach antecedent (Lo & Aryee, 2003). Organizations change because they need to cope with a new and more challenging market environment and these changes can take many forms, such as total quality management, down or right sizing, restructuring, or cultural change (Kotter, 1995). Many problems can arise after, during, and even before the transformation. One of the most common problems is related to individuals as they tend to feel insecure and resist any kind of changes. Moreover, organizational transformation changes the traditional employment arrangements. Based on the aforementioned arguments, a specific recommendation for managers is linked to how to manage change preventing insecurity and perceptions of breach. Managers should honestly and openly communicate changes in the organization's conditions, establish a new vision and explain how it impacts the organization's ability to fulfil its obligations (Kotter, 1995; Lo & Aryee, 2003).

When it comes to the link between breach and context, several points are also underdeveloped. Although there is some evidence (e.g., Turnley & Feldman, 1999a), future research needs to clarify the role of blame attributions in reactions of breach. Specifically, breach may have been caused by an inability to fulfil the promises (*reneging*) or misunderstanding between employees and organizational agents (*incongruence*) (Robinson & Morrison, 1997). In addition, breach may be a result of external factors beyond the organization's control (*disruption*) (Cassar et al., 2013;

Rousseau, 1995). Reneging is an intentional and deliberate decision to not fulfill the promises (Lester et al., 2002), whereas incongruence and disruption are unintentional. It would be worthwhile to examine whether different attributions produce different reactions to breach. According to attribution theory, when an action (i.e., psychological contract breach) is externally justified (e.g., by the economic context), the event will be better tolerated and less reciprocated than a similar action attributed to the actor (i.e., organization) (Kelley & Michela, 1980). Thus, if the employee experiences a breach and perceives that the organization broke that promise in a purposeful act (rather than a consequence of an external factor) negative feelings and attitudes may arise.

Another line of research is associated with contextual moderators. More research is needed to fully understand the role of organizational climate, diversity and leadership in reactions to breach. Some studies suggested that organizational climate may affect the motivation and behavioral patterns of individuals within the workplace (e.g., Litwin & Stringer, 1968). Therefore, researchers may be interested in assessing the role of conflictual or cooperative climate in the relationship between breach and outcomes. The role of leadership in explaining reactions to breach remains underexplored. LMX has been used as *the* variable to address this issue (e.g., Dulac et al., 2008). Researchers may find useful to examine some leadership characteristics that help attenuate the negative impact of breach. For instance, Chen et al. (2008) tested supervisor benevolence as a moderator of breach-OCB relationship and they found support for their hypothesis. Specifically, the negative impact of breach on OCBs was weaker when the supervisor was considered more benevolent.

In terms of context, it is important to mention the replication of models using different samples. In this research, we examined 46 different organizations in study 1,

a public organization in study 2, and a private manufacturing company in study 3. Literal replication and constructive replication (Lykken, 1968) of models allows for additional confidence in the validity of the findings (Eden, 2002; Tsang & Kwan, 1999). In this sense, researchers may also be interested in examining these models using different samples.

The **second key contribution** has to do with **boundary conditions**, i.e., the factors that contribute to exacerbate or attenuate the relationship between breach and attitudes and behaviors. Research in this area is in its early stages of development and it is conceptually and empirically underdeveloped (Conway & Briner, 2005; Suazo, 2009). We examined the moderating role of three individual differences (i.e., PsyCap, forgiveness, equity sensitivity) in breach-outcomes relationship. Individual differences are the many ways in which individuals differ from each other and can take many forms, such as personality or personal resources. Our findings suggest that individuals who possess more resources and strengths react less negatively to breach. Moreover, and aligned with the limited research on the relationship between personality traits and breach reactions, equity sensitivity (trait) also interacts with breach to explain employees' behaviors.

These results hold important insights for organizations and managers. First, managers need to take into account the individual differences of their employees as they help to understand their motivations, attitudes and behaviors. In other words, "top high-performing managers have been ahead of their time in doing what is psychologically more efficient: they affect engagement and productivity by understanding and positioning individual differences in their employees" (Clifton & Harter, 2003, p. 119). These individual differences influence not only how employees perceive breach but their reactions. Second, knowing that positive resources and

strengths contribute to minimize the negative influence of breach, organizations should see their employees as a competitive advantage and invest in them, through training and development. Third, organizations should pay attention to personality traits during the recruitment and selection processes as some traits may exacerbate or attenuate the effects of breach. However, some caution is recommended when recruiting as, for instance, benevolent employees also react in a negative fashion once their threshold for under-reward situation is reached (Restubog et al., 2009).

While examining these boundary conditions, other potential avenues of research emerged. As previously mentioned, research on individual characteristics is still scarce; therefore, more studies involving personality traits are needed. The only study involving diverse traits was conducted by Raja et al.'s (2004) and included personality characteristics like extraversion, conscientiousness, neuroticism, self-esteem, equity sensitivity and locus of control. These traits predicted perceptions of breach and moderated its relationship with violation. It would be valuable to examine whether these traits also moderate the relationship between breach and attitudes (i.e., affective commitment, organizational trust) and behaviors (i.e., task performance, OCBs, deviance).

Another interesting line of research would include other individual characteristics, such as organizational-based self-esteem (OBSE) and reciprocation wariness. OBSE is defined as “the degree to which organizational members believe that they can satisfy their needs by participating in roles within the context of an organization (...) reflects the self-perceived value that individuals have of themselves as organization members” (Pierce, Gardner, Cummings, & Dunham, 1989, p.625). One can establish two competing perspectives in examining this construct. On the one hand, one may think that employees with high OBSE will react less negatively to

breach as they perceive “themselves as important, meaningful, effectual, and worthwhile within their employing organization” (Pierce et al., 1989, p.625); therefore, they should not be affected by the breach, maintaining their high self-esteem and self-confidence. On the other hand, a breach can be interpreted as a signal that the organization does not see employees as important or meaningful for the organization. Accordingly, employees may suffer from cognitive dissonance and react in a more negative fashion.

The **third contribution** concerns the **complementary mechanism** through which breach impacts outcomes. Although the norm of reciprocity as well as social exchange theory clearly provide an explanation for employees’ reaction to breach, it is not the only mechanism in action. We conceptualized breach as a stressor because it impairs one’s health (e.g., Gakovic & Tetrick, 2003). This evidence brings some insights to share with managers. Given the negative impact of breach on employees’ health, managers not only should be worried with employees’ attitudes and behaviors, but they should take measures to prevent employees’ health problems. These problems can also impact employees’ effectiveness by increasing their absenteeism (Deery et al., 2006). As previously suggested, some organizational strategies (e.g., open communication) are an attempt to avoid perceptions of breach. However, as these perceptions tend to be the norm (Robinson & Rousseau, 1994), organizations also need to try to alleviate the problems associated with breach, especially in terms of high levels of stress and emotional exhaustion. On the one hand, there is prevention of stress, which includes primary prevention (e.g., removal of stressors) and secondary prevention (e.g., awareness and training) (Murphy, 1988). The best approach would be “preventive measures (...) based on an adequate diagnosis identifying risk factors and risk groups” (Kompier, Cooper, & Geurts, 2000, p.371).

Specifically, an organization needs to understand where it is failing to fulfil the obligations and identify why it is happening and to whom. Prevention is a proper way to avoid stress problems and it is beneficial to both employees and organizations (Kompier et al., 2000). On the other hand, there is intervention, which concerns treatment, rehabilitation, and recovery of employees who are ill because of stress (Murphy, 1988).

To advance our knowledge in terms of complementary mechanisms, researchers should examine different mechanism in the same model in order to identify what is the path that best explains reactions to breach. Besides, more empirical evidence is needed regarding the impact of breach on health outcomes. The studies are scarce and the measures are too different (e.g., physical health, mental health, burnout, affective well-being, stress, strain), which makes it difficult to find a consistent pattern.

The impressive number of studies about psychological contract breach indicates a clear and strong impact on diverse outcomes. However, the role of culture has been disregarded. The **fourth key contribution** of this research is the assessment of **cross-cultural differences** in reactions to psychological contract breach. Our findings suggest that the negative impact of breach is generalizable in terms of direction, but not in terms of intensity. Moreover, the main differences between cultures are in undesirable behaviors, with members of horizontal-individualistic cultures reacting in a more negative fashion, not only by reducing the positive attitudes and behaviors, but also by increasing negative behaviors. Several practical implications emerge from these conclusions. First, organizations (especially multinational organizations) must be aware that employees' **culture** might shape their reactions to breach. Increasingly, organizations are becoming more diverse in terms of

gender, race, ethnicity, and nationality, which brings advantages (e.g., creativity, innovation) and disadvantages (e.g., conflict, turnover) (Cox, 1991, p.34). Organizations must make an effort to inform, advice and train their managers to be more sensitive to cultural differences and understand that the same managerial behavior has a different impact (at least in degree) on employees' attitudes and behaviors. A critical result of being insensitive to these differences is a greater damage in employee-organization relationship.

Taking into account cross-cultural differences is even more meaningful when managers change locations. For instance, an American manager who works in a multinational corporation and moves to China. In such situation, he/she would be familiarized with employees from a horizontal-individualistic culture and would have to adapt to a vertical-collectivistic culture – a potential clash of culture. Nowadays, managers cannot “afford to turn a blind eye to global business opportunities” (Leung, Bhagat, Buchan, Erez, & Gibson, 2005), which obliges managers to be aware and understand other cultures. Our results indicated that culture shaped some of employees' reactions to breach. Specifically, the intensity of those reactions is stronger in horizontal-individualistic cultures. This is not to say that supervisors of employees in vertical-collectivistic cultures should not take into account what is promised because their employees do not exhibit undesirable behaviors. In fact, employees from both cultural configurations display negative behaviors; therefore, managers should assume that all employees will react in the same way *regardless* of country / culture, but be conscious about the intensity of those reactions.

Our findings may be limited due to the fact that the available data (i.e., the number of studies per culture) only allowed us to examine national-level cultural values in terms of power distance and individualism-collectivism. An interesting



research line would be examining the reactions to breach using individual level cultural values in order to get a more nuanced view of how different cultural values impact the relationship between breach and employees' attitudes and behaviors (see Zagenczyk et al. 2015 for some evidence on these differences). For instance, Asian cultural values comprise collectivism, respect for authority, emotional restraint, filial devotion, hierarchical structure, humility, emotional restraint, and maintenance of harmony (Kim, Atkinson, & Yang, 1999; Sue & Sue, 2003) as well as interdependence, role rigidity, formality, and harmony with nature and environment (Casas & Mann, 1996). On the other hand, European/American values include individualism, independence, autonomy, future orientation, and mastery of the environment (Atkinson, 2004; Sue & Sue, 2003) as well as competition, acquisition, directness, openness, separateness, and survival of the fittest (Casas & Mann, 1996). Assessing these individual-level cultural values also allows for control the processes of acculturation and enculturation. Acculturation happens "when groups of individuals sharing different cultures come into continuous first-hand contact, with subsequent changes in the original culture patterns of either or both groups" (Redfield, Linton, & Herskovits, 1936, p.149), whereas enculturation involves the retention of norms of the indigenous group (Kim & Abreu, 2001). In an increasing global world where people frequently move from a country to another these processes should be taken into account. For example, nowadays it is common for an Asian student to come to Europe to study and then move to America to work (or the opposite pattern: an American student to come to Europe and then find a job in Singapore). In this type of situation, an individual may have individual cultural values from both cultures. Therefore, each individual has his/her own set of cultural values

depending on his/her country of origin, family background, education and professional experience.

The **last key contribution** of this research is the **different outcome measures**. We assessed task performance, OCBs, workplace deviance, and turnover. In the past, some critiques have emerged regarding the self-reported measures used in psychological contract breach research (Zhao et al., 2007). In an attempt to answer this call for other source ratings, we used supervisor ratings of outcomes and also records of turnover. In this sense, more research is needed using different sources of information. For instance, it would be meaningful to assess whether the negative impact of breach on performance holds with objective performance ratings instead of supervisor evaluations. In terms of workplace deviance, it would be more difficult to get information as individuals tend to hide behaviors that go against organizational rules and policies (Bennett & Robinson, 2000). In this case, peer-rated deviance might be closer to reality than supervisor or records.

## CONCLUSION

*It is better that you should not vow than that you should vow and not pay.*

(King Solomon, Ecclesiastes 5:5)

In an uninterruptedly changing environment where organizations are obliged to adapt through restructuration and downsizing, understanding the impact of breach as well as the factors that may attenuate its harmful effects is important for researchers and practitioners more than ever.

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